



*LEADING*  
一路領前 *THE WAY*

INTERIM REPORT 2017 | STOCK CODE : 165



# CORPORATE INFORMATION

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## Board of Directors

Cai Yunge (Chairman)  
Chen Shuang (Chief Executive Officer)  
Tang Chi Chun, Richard  
(Chief Financial Officer)  
Yin Lianchen (Chief Investment Officer)  
(Note 1)  
Tang Shuangning#  
Seto Gin Chung, John\*  
Lin Zhijun\*  
Chung Shui Ming, Timpson\*

# Non-executive Director

\* Independent Non-executive  
Director

Note 1: Appointed as Executive Director with  
effect from 15 June 2017

## Company Secretary

Chan Ming Kin, Desmond

## Registered Office

46th Floor  
Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## Principal Bankers

China Everbright Bank Company Limited  
China Construction Bank Corporation  
Industrial and Commercial Bank  
of China (Asia) Limited  
Agricultural Bank of China Limited  
Bank of Communications Company,  
Limited  
Shanghai Pudong Development  
Bank Company, Limited

## Share Registrar

Tricor Secretaries Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## Auditor

Ernst & Young

## Website Address

<http://www.everbright.com>

## Investor Relations Contact

[ir@everbright.com](mailto:ir@everbright.com)

**Stock Code:** 00165

## INTERIM RESULTS

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The Board of Directors of China Everbright Limited (the “Company”) presents the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2017. The interim financial report is unaudited, but has been reviewed by Ernst & Young (the auditor of the Company) in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, whose review report is included on pages 55 to 56. The interim financial report has also been reviewed by the Company’s Audit and Risk Management Committee.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Notes	1 January to 30 June 2017 HK\$'000	1 January to 30 June 2016 HK\$'000
<b>Continuing operations</b>			
Turnover	3	<b>3,933,175</b>	3,841,938
Operating income	3	<b>880,853</b>	1,015,646
Other net income	3	<b>1,108,425</b>	1,146,082
Staff costs		<b>(190,858)</b>	(200,264)
Depreciation expenses		<b>(9,656)</b>	(12,057)
Impairment loss on available-for-sale securities	11	<b>(43,187)</b>	(407,802)
Impairment loss on amount due from an investee company		–	(3,811)
Other operating expenses		<b>(175,597)</b>	(102,134)
Profit from operations		<b>1,569,980</b>	1,435,660
Finance costs		<b>(338,562)</b>	(238,622)
Share of profits less losses of associates	9	<b>505,794</b>	565,329
Share of profits less losses of joint ventures	10	<b>30,652</b>	6,973
Loss on deemed disposal of interest in an associate		–	(17,697)
Profit before taxation		<b>1,767,864</b>	1,751,643
Income tax	4	<b>(191,981)</b>	(203,071)
Profit from continuing operations		<b>1,575,883</b>	1,548,572
<b>Discontinued operations</b>			
Profit from disposal group held for sale	5	<b>11,249</b>	94,570
<b>Profit for the period</b>		<b>1,587,132</b>	1,643,142

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Note	1 January to 30 June 2017 HK\$'000	1 January to 30 June 2016 HK\$'000
<b>Profit attributable to equity shareholders of the Company</b>			
Continuing operations		<b>1,463,883</b>	1,335,501
Discontinued operations		<b>26,265</b>	75,891
		<b>1,490,148</b>	1,411,392
<b>Non-controlling interests</b>		<b>96,984</b>	231,750
<b>Profit for the period</b>		<b>1,587,132</b>	1,643,142
<b>Basic and diluted earnings per share</b>	8		
Continuing operations		<b>HK\$0.869</b>	HK\$0.792
Discontinued operations		<b>HK\$0.015</b>	HK\$0.045
		<b>HK\$0.884</b>	HK\$0.837

The notes on pages 11 to 54 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company attributable to the period are set out in note 6.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	1 January to 30 June 2017 HK\$'000	1 January to 30 June 2016 HK\$'000
<b>Profit for the period</b>		<b>1,587,132</b>	1,643,142
<b>Other comprehensive income for the period:</b>			
Items that may be reclassified subsequently to profit or loss			
– Net movement in investment revaluation reserve of available-for-sale securities	7	<b>(764,549)</b>	(2,678,986)
– Share of other comprehensive income of associates		<b>107,857</b>	(320,345)
– Share of other comprehensive income of joint ventures		<b>(29,245)</b>	52,092
– Exchange reserve		<b>568,887</b>	(306,747)
		<b>(117,050)</b>	(3,253,986)
<b>Total comprehensive income for the period</b>		<b>1,470,082</b>	(1,610,844)
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>1,402,974</b>	(1,572,292)
Non-controlling interests		<b>67,108</b>	(38,552)
<b>Total comprehensive income for the period</b>		<b>1,470,082</b>	(1,610,844)

The notes on pages 11 to 54 form part of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 HK\$'000	31 December 2016 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		469,127	475,376
Investment properties		44,600	78,700
Amount due from an associate	9(c)	1,000,000	1,000,000
Amounts due from investee companies	12	242,474	276,698
Investments in associates	9(a)	17,486,587	16,087,252
Investments in joint ventures	10(a)	582,434	351,445
Available-for-sale securities	11	13,771,410	15,113,907
Financial assets designated at fair value through profit or loss	12	21,677,036	16,469,069
Advances to customers	13	495,863	572,130
Finance lease receivables		–	20,138
		<b>55,769,531</b>	50,444,715
<b>Current assets</b>			
Financial assets designated at fair value through profit or loss	12	483,055	737,250
Advances to customers	13	3,516,920	1,174,508
Finance lease receivables		40,062	38,565
Amount due from an associate	9(c)	258,701	1,648,988
Debtors, deposits and prepayments	14	976,537	3,331,336
Trading securities	15	1,586,347	1,103,311
Cash and cash equivalents		2,570,149	5,959,534
		<b>9,431,771</b>	13,993,492
Assets classified as held for sale	5	3,637,174	3,057,129
		<b>13,068,945</b>	17,050,621



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 HK\$'000	31 December 2016 HK\$'000
<b>Current liabilities</b>			
Amounts due to investee companies	12	(4,769)	(211,632)
Amount due to an associate	9(d)	–	(44,896)
Amount due to a joint venture	10(c)	(45,393)	–
Trading securities	15	(99,080)	(151,826)
Bank loans	16	(3,754,520)	(4,147,432)
Creditors, deposits received and accrued charges	17	(1,847,669)	(1,226,925)
Other financial liabilities	21(b)	(2,370,697)	(2,217,119)
Notes payable		(27,000)	(27,000)
Provision for taxation		(439,320)	(1,046,821)
		<b>(8,588,448)</b>	<b>(9,073,651)</b>
Liabilities classified as held for sale	5	<b>(1,446,068)</b>	<b>(955,708)</b>
		<b>(10,034,516)</b>	<b>(10,029,359)</b>
<b>Net current assets</b>			
		<b>3,034,429</b>	<b>7,021,262</b>
<b>Total assets less current liabilities</b>			
		<b>58,803,960</b>	<b>57,465,977</b>
<b>Non-current liabilities</b>			
Bank loans	16	(8,106,689)	(6,387,706)
Other financial liabilities	21(b)	(1,233,232)	(1,443,893)
Notes payable		(30,000)	(30,000)
Bond payable	18	(9,083,200)	(8,998,400)
Deferred tax liabilities		(1,027,270)	(1,119,583)
		<b>(19,480,391)</b>	<b>(17,979,582)</b>
<b>NET ASSETS</b>			
		<b>39,323,569</b>	<b>39,486,395</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	30 June 2017 HK\$'000	31 December 2016 HK\$'000
<b>CAPITAL AND RESERVES</b>			
Share capital	20	9,618,097	9,618,097
Reserves		28,068,220	27,591,394
<b>Total equity attributable to equity shareholders of the Company</b>		<b>37,686,317</b>	37,209,491
Non-controlling interests		1,637,252	2,276,904
<b>TOTAL EQUITY</b>		<b>39,323,569</b>	39,486,395

The notes on pages 11 to 54 form part of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to equity shareholders of the Company										
	Note	Share capital	Option premium reserve	Investment revaluation reserve	Goodwill reserve	Capital reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2017		9,618,097	1,242	8,147,672	(668,499)	(410,686)	(454,848)	20,976,513	37,209,491	2,276,904	39,486,395
Net investment by non-controlling shareholders		-	-	-	-	(93,924)	-	-	(93,924)	(706,760)	(800,684)
Dividend paid	6(b)	-	-	-	-	-	-	(842,627)	(842,627)	-	(842,627)
Share of capital reserve of an associate		-	-	-	-	10,403	-	-	10,403	-	10,403
Profit for the period		-	-	-	-	-	-	1,490,148	1,490,148	96,984	1,587,132
Other comprehensive income for the period		-	-	(588,588)	-	-	501,414	-	(87,174)	(29,876)	(117,050)
As at 30 June 2017		9,618,097	1,242	7,559,084	(668,499)	(494,207)	46,566	21,624,034	37,686,317	1,637,252	39,323,569
As at 1 January 2016		9,618,097	1,242	11,686,839	(668,499)	(259,340)	821,755	18,166,071	39,366,165	3,581,344	42,947,509
Net investment by non-controlling shareholders		-	-	-	-	-	-	-	-	(737,026)	(737,026)
Dividend paid	6(b)	-	-	-	-	-	-	(842,627)	(842,627)	-	(842,627)
Share of capital reserve of an associate		-	-	-	-	(107,984)	-	-	(107,984)	-	(107,984)
Profit for the period		-	-	-	-	-	-	1,411,392	1,411,392	231,750	1,643,142
Other comprehensive income for the period		-	-	(2,672,261)	-	-	(311,423)	-	(2,983,684)	(270,302)	(3,253,986)
As at 30 June 2016		9,618,097	1,242	9,014,578	(668,499)	(367,324)	510,332	18,734,836	36,843,262	2,805,766	39,649,028

The notes on pages 11 to 54 form part of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	1 January to 30 June 2017 HK\$'000	1 January to 30 June 2016 HK\$'000
<b>Operating activities</b>		
Cash generated from/(used in) operations	1,011,497	(525,587)
Tax paid	(739,371)	(133,892)
<b>Net cash generated from/(used in) operating activities</b>	<b>272,126</b>	<b>(659,479)</b>
<b>Investing activities</b>		
Purchase of available-for-sale securities	(20,813)	(512,662)
Proceeds from disposal of available-for-sale securities	1,546,277	1,531,784
Purchase of financial assets designated at fair value through profit or loss	(6,501,295)	(3,941,022)
Proceeds from disposal of financial assets designated at fair value through profit or loss	1,875,275	3,640,889
Decrease in other financial liabilities	(66,253)	(340,993)
Investment in associates and a joint venture	(915,468)	–
Proceeds from disposal of an associate	–	100,000
Other cash flows arising from investing activities	659,986	986,592
<b>Net cash (used in)/generated from investing activities</b>	<b>(3,422,291)</b>	<b>1,464,588</b>
<b>Financing activities</b>		
Net proceeds from bank loans	1,326,071	1,876,604
Dividend paid	(842,627)	(842,627)
Dividend paid to non-controlling shareholders	(701,268)	–
Repayment of loan from a fellow subsidiary and a shareholder	–	(1,000,000)
Other cash flows arising from financing activities	(765)	(206,467)
<b>Net cash used in financing activities</b>	<b>(218,589)</b>	<b>(172,490)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,368,754)</b>	<b>632,619</b>
<b>Cash and cash equivalents</b>		
Beginning of the period	5,959,534	4,688,256
Exchange rate adjustments	(20,631)	(25,224)
End of the period	2,570,149	5,295,651

# NOTES TO THE FINANCIAL REPORT

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## 1. Basis of Presentation

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised by the Board for issuance on 30 August 2017.

The financial information relating to the year ended 31 December 2016 that is included in the unaudited interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company's auditor, Ernst & Young, has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for those described in note 2.

Classification of operating segment units under the Business Segment Analysis have been revised to conform to the latest business model of the Group. This classification is reported on the same basis as is used by management to analyse its business performance.

The comparative information of the above has been restated to conform to the current year's presentation.

# NOTES TO THE FINANCIAL REPORT

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## 2. Changes in Accounting Policies and Disclosure

The HKICPA has issued a number of revised Hong Kong Financial Reporting Standards (“HKFRSs”), which are generally effective for accounting periods beginning on or after 1 January 2017.

The Group has adopted the following revised HKFRSs, for the first time for this interim period:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group is not required to provide additional disclosure in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments do not have any material impact on the Group.

## NOTES TO THE FINANCIAL REPORT

### 3. Turnover, Operating Income and Other Net Income

Turnover from operations represents the aggregate of service fee income, interest income, dividend income, rental income from investment properties, rental income from finance lease and gross sale proceeds from disposal of trading securities of secondary market investments.

Operating income and other net income recognised during the period are as follows:

	1 January to 30 June 2017 HK\$'000	1 January to 30 June 2016 HK\$'000
<b>Operating income</b>		
Consultancy and management fee income	107,381	164,485
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	41,002	27,471
– advances to customers	105,360	85,222
– unlisted debt securities	17,549	15,476
Dividend income		
– listed investments	187,852	400,889
– unlisted investments	311,315	295,325
Net realised gain/(loss) on trading securities		
– equity securities	37,756	30,318
– debt securities	6,279	2,331
– derivatives	(49)	133
Net unrealised gain/(loss) on trading securities		
– equity securities	53,997	(14,084)
– debt securities	9,250	716
– derivatives	71	2,475
Rental income from investment properties	1,523	2,099
Rental income from finance lease	1,567	2,790
	<b>880,853</b>	1,015,646

## NOTES TO THE FINANCIAL REPORT

### 3. Turnover, Operating Income and Other Net Income (continued)

	<b>1 January to 30 June 2017 HK\$'000</b>	1 January to 30 June 2016 HK\$'000
<b>Other net income</b>		
Net realised gain on disposal of available-for-sale securities	<b>1,128,760</b>	663,374
Net realised gain on disposal of financial assets designated at fair value through profit or loss	<b>87,253</b>	137,945
Net realised loss on discharge of financial liability designated at fair value through profit or loss	<b>(202,996)</b>	–
Changes in unrealised profit or loss on financial assets designated at fair value through profit or loss	<b>83,262</b>	(48,070)
Reversal of impairment loss on debtors, deposits and prepayments	<b>5,657</b>	–
Reversal of impairment loss on an amount due from an investee company	<b>7,382</b>	–
Realised gain on disposal of an associate	–	343,031
Net exchange (loss)/gain	<b>(13,343)</b>	44,119
Others	<b>12,450</b>	5,683
	<b>1,108,425</b>	1,146,082



## NOTES TO THE FINANCIAL REPORT

### 4. Income Tax

The provision for Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the six months ended 30 June 2017. Taxation for overseas subsidiaries is calculated at the appropriate current rates of taxation in the relevant jurisdictions.

The amount of taxation charged to the condensed consolidated statement of profit or loss represents:

	1 January to 30 June 2017 HK\$'000	1 January to 30 June 2016 HK\$'000
<b>Continuing operations</b>		
Current taxation		
– Hong Kong profits tax	(1,014)	(8,320)
– Overseas taxation	(143,059)	(224,139)
– Over provision in respect of Hong Kong profits tax in prior years	4,047	12,201
Deferred taxation		
– Deferred taxation relating to the reversal and origination of temporary differences	(51,955)	17,187
Income tax	(191,981)	(203,071)

# NOTES TO THE FINANCIAL REPORT

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## 5. Discontinued Operations

As at 30 June 2017, the Group classified equity interest in the following investments as disposal group held for sale (the “Disposal Group”), with a view to hold them for resale within one year.

- Lapmaster Group Holdings, LLC (“Lapmaster”)
- 北京光大匯晨養老服務有限公司 (“Huichen”)
- Tirana International Airport SHPK (“Tirana Airport”)

On 6 November 2015, the Group acquired 59% equity interest in Lapmaster and intends to transfer its equity interest in Lapmaster to CEL Global Investment Fund in second half of 2017. Lapmaster is headquartered in Chicago, USA, and is a developer and manufacturer for highly engineered precision surface finishing equipment and consumables with global presence.

On 21 September 2016, the Group acquired 67.27% equity interest in Huichen, with a view to resell to the Haimen Everbright Senior Healthcare Investment Fund within one year. Huichen is headquartered in Beijing, PRC, and provides integrated senior health care services including elderly health care, geriatric treatment, rehabilitation and community services. The Group is in the process of setting up the Haimen Everbright Senior Healthcare Investment Fund.

On 6 October 2016, the Group acquired 100% equity interest in Tirana Airport with a view to resell to the Everbright Overseas Infrastructure Investment Fund LP within one year. Tirana Airport is the only officially operated civil airport in Albania.

The above equity interests meet the criteria to be classified as held for sale on acquisition in accordance with HKFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. A single amount is presented on the face of the Group’s condensed consolidated statement of profit or loss, which comprises the post-tax profit or loss of the Disposal Group and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the Disposal Group constituting the discontinued operations (if any). The aggregate balances of assets and liabilities of the Disposal Group have been presented in the Group’s condensed consolidated statement of financial position as assets classified as held for sale and liabilities classified as held for sale respectively.

## NOTES TO THE FINANCIAL REPORT

### 6. Dividends

#### (a) Dividends payable to equity shareholders of the Company attributable to the period

	1 January to 30 June 2017 HK\$'000	1 January to 30 June 2016 HK\$'000
– Interim dividend declared after the end of the reporting period of HK\$0.25 (2016: HK\$0.25) per share	421,313	421,313

Subsequent to the period end, the Board of Directors declared an interim dividend of HK\$0.25 per share (2016: HK\$0.25 per share) for the six months period ended 30 June 2017. The declared dividend is not reflected as dividend payable in the financial statements.

#### (b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the period

	1 January to 30 June 2017 HK\$'000	1 January to 30 June 2016 HK\$'000
– Final dividend in respect of the previous financial year, approved and paid during the period of HK\$0.5 (2016: HK\$0.5) per share	842,627	842,627

# NOTES TO THE FINANCIAL REPORT

## 7. Other Comprehensive Income

	1 January to 30 June 2017 HK\$'000	1 January to 30 June 2016 HK\$'000
Available-for-sale securities:		
Changes in fair value recognised during the period	321,024	(2,423,414)
Reclassification adjustments for amounts transferred to profit or loss:		
– gain on disposal	(1,128,760)	(663,374)
– impairment loss	43,187	407,802
Net movement in investment revaluation reserve during the period recognised in other comprehensive income	(764,549)	(2,678,986)

## 8. Earnings Per Share

### Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the six months period ended 30 June 2017 is based on the profit attributable to equity shareholders of the Company for continuing and discontinued operations of HK\$1,463,883,000 and HK\$26,265,000 respectively (six months ended 30 June 2016: for continuing operations and discontinued operations of HK\$1,335,501,000 and HK\$75,891,000 respectively) and the weighted average number of 1,685,253,712 shares (six months ended 30 June 2016: 1,685,253,712 shares) in issue during the period.

## NOTES TO THE FINANCIAL REPORT

### 9. Investments in Associates

#### (a) Investments in associates

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Carrying value, net	<b>17,486,587</b>	16,087,252

#### (b) As at 30 June 2017, particulars of principal associates of the Group are as follows:

Name of associate	Place of incorporation/ operation	Principal activities	Percentage of equity interest held by the Company
Everbright Securities Company Limited <sup>#</sup> ("Everbright Securities")	The PRC	Securities operations (note 1)	24.71%
China Aircraft Leasing Group Holdings Limited <sup>##</sup> ("CALGH")	Cayman Islands	Investment holding (note 2)	33.6%*
上海嘉寶實業(集團)股份有限公司 <sup>###</sup> ("Jiabao Group")	The PRC	Real estate development/ real estate asset management (note 3)	24.33%*

# NOTES TO THE FINANCIAL REPORT

## 9. Investments in Associates (continued)

### (b) As at 30 June 2017, particulars of principal associates of the Group are as follows: (continued)

- # Market value of the shares listed in mainland China as at 30 June 2017 was equivalent to HK\$19,312,021,000 (31 December 2016: HK\$20,490,040,000).
- ## Market value of the shares listed in Hong Kong as at 30 June 2017 was HK\$2,071,119,000 (31 December 2016: HK\$1,766,380,000).
- ### Market value of the shares listed in mainland China as at 30 June 2017 was equivalent to HK\$3,990,562,000 (31 December 2016: HK\$2,132,201,000).
- \* Held indirectly

Note 1: Everbright Securities is the Group's strategic investment to capitalise on the growth of securities markets in mainland China and Hong Kong.

Note 2: CALGH is an associate of the Group to capture multiple opportunities along the aircraft value chain arising from the rapid growth of aviation industry. CALGH's lease offerings are complemented by fleet planning consultation, structured leasing, aircraft trading and re-marketing and aircraft disassembly.

Note 3: Jiabao Group is the Group's strategic industry investment to capitalise on the growth of real estate development and asset management in mainland China.

For the six months ended 30 June 2017, Everbright Securities has recorded an after tax profit of RMB1,237 million (six months ended 30 June 2016: RMB1,515 million) and the Group's share of profit under equity accounting method, amounted to HK\$346 million (six months ended 30 June 2016: HK\$524 million).

All of the above associates are accounted for using the equity method in the condensed consolidated financial statements.

### (c) Amounts due from associates

Amount due from an associate under non-current assets is unsecured, interest-free and has no fixed terms of repayment.

Amount due from an associate under current assets is unsecured, interest-free and repayable within one year.

### (d) Amount due to an associate

Amount due to an associate was unsecured, interest-free and had no fixed terms of repayment.

# NOTES TO THE FINANCIAL REPORT

## 10. Investments in Joint Ventures

### (a) Investments in joint ventures

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Carrying value, net	<b>582,434</b>	351,445

### (b) As at 30 June 2017, details of the Group's principal investments in joint ventures are mainly as follows:

Name of joint venture	Place of incorporation/ operation	Principal activities	Particulars of issued capital	Percentage of equity interest held by the Company
Everbright Guolian Capital Company Limited	The PRC	Venture capital and investment advisory services (note 1)	RMB320,000,000	50.0%*
山東高速光控產業投資基金管理有限公司	The PRC	Fund management services (note 2)	RMB200,000,000	48.0%*
首譽光控資產管理有限公司	The PRC	Investment holding (note 3)	RMB120,000,000	49.0%*

\* Held indirectly

Note 1: Everbright Guolian Capital Company Limited is a joint venture of the Group to provide investment advisory services to a joint venture fund in mainland China.

Note 2: 山東高速光控產業投資基金管理有限公司 is a joint venture of the Group to provide fund management service to an industrial sector investment fund in mainland China.

Note 3: 首譽光控資產管理有限公司 is one of the Group's assets management companies. The Group's equity interest was increased from 35% to 49% during the period due to additional purchase. In addition, given that the relevant activities required more than two-third of the board members' approval, the Group obtained additional power from the composition of board members. Accordingly, unanimous consent from both parties shall be obtained to direct the relevant activities. The investment was reclassified from investments in associates to investment in joint ventures.

All of the above joint ventures are unlisted corporate entities whose quoted market prices were not available as at 30 June 2017. They are accounted for using the equity method in the condensed consolidated financial statements.

# NOTES TO THE FINANCIAL REPORT

## 10. Investments in Joint Ventures (continued)

### (c) Amount due to a joint venture

Amount due to a joint venture is unsecured, interest-free and has no fixed terms of repayment.

## 11. Available-For-Sale Securities

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
At fair value:		
Listed equity securities		
– in Hong Kong	<b>402,282</b>	598,854
– outside Hong Kong	<b>9,003,145</b>	10,231,612
Unlisted equity securities/ collective investment schemes		
– outside Hong Kong	<b>4,365,983</b>	3,777,259
Listed debts securities		
– outside Hong Kong	–	67,213
At cost <sup>(i)</sup> :		
Unlisted equity securities	–	438,969
	<b>13,771,410</b>	15,113,907

- (i) As at 31 December 2016, the investments were measured at cost less impairment because the fair value cannot be reliably measured.



## NOTES TO THE FINANCIAL REPORT

### 11. Available-For-Sale Securities (continued)

The Group's investments in listed equity securities with fair values of HK\$738,086,000, HK\$147,390,000 and HK\$440,213,000 are subject to a lock-up provision which restricted the Group from selling the equity securities on or before 7 November 2017, 5 May 2018 and 19 May 2018 respectively.

As at 30 June 2017, certain of the Group's available-for-sale equity securities were individually determined to be impaired on the basis of a significant or prolonged decline in their fair value below cost. Impairment loss of HK\$43,187,000 (2016: HK\$407,802,000) was charged to the profit or loss.

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Fair value of available-for-sale securities that were individually determined to be impaired as at period/year end:		
Listed equity securities		
– in Hong Kong	<b>402,282</b>	390,893
– outside Hong Kong	<b>587,603</b>	431,544
Unlisted equity securities	<b>426,678</b>	457,836
	<b>1,416,563</b>	1,280,273

The Group held the following principal available-for-sale securities as at 30 June 2017:

<b>Company name</b>	<b>Place of incorporation</b>	<b>Principal activities</b>	<b>Effective equity interest held by the Group</b>
China Everbright Bank Company Limited ("Everbright Bank") <sup>(i)</sup>	The PRC	Banking operations	3.37%

- (i) As at 30 June 2017, the carrying value of interests in Everbright Bank exceeded 10% of total assets of the Group.

## NOTES TO THE FINANCIAL REPORT

### 12. Financial Assets Designated at Fair Value Through Profit or Loss

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
<b>Non-current assets</b>		
At fair value:		
Listed equity securities		
– in Hong Kong	<b>55,523</b>	66,018
– outside Hong Kong	<b>431,563</b>	475,975
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	<b>16,259,053</b>	13,251,988
Unlisted convertible preference shares		
– outside Hong Kong	<b>1,249,631</b>	1,013,743
Unlisted debt securities		
– outside Hong Kong	<b>3,681,266</b>	1,661,345
	<b>21,677,036</b>	16,469,069
<b>Current assets</b>		
At fair value:		
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	<b>483,055</b>	737,250

## NOTES TO THE FINANCIAL REPORT

### 12. Financial Assets Designated at Fair Value Through Profit or Loss (continued)

As at 30 June 2017, the Group's listed and unlisted equity securities amounting to a fair value of HK\$12,371,802,000 (31 December 2016: HK\$10,892,302,000) were investments in associates and joint ventures. The Group was exempted from applying the equity method to these investments and they were recognised as financial assets designated at fair value through profit or loss.

As at 30 June 2017, balances of HK\$242,474,000 (31 December 2016: HK\$276,698,000) were amounts due from investee companies which were associates recognised as financial assets designated at fair value through profit or loss. The amounts due from these investee companies are unsecured, interest-free and have no fixed terms of repayment.

As at 30 June 2017, balances of HK\$4,769,000 were amounts due to investee companies (31 December 2016: HK\$211,632,000) which were associates recognised as financial assets designated at fair value through profit or loss. The amounts due to investee companies are unsecured, interest-free and have no fixed terms of repayment.

The Group purchased certain unlisted financial assets designated at fair value through profit or loss at a purchase price which was below the fair value at inception that would be determined at that date using a valuation technique. According to the Group's accounting policy, the difference yet to be recognised in the profit or loss at the beginning and the end of the period/year is as follows:

	2017 HK\$'000	2016 HK\$'000
As at 1 January	716,824	784,743
Addition for the period/year	222,918	220,806
Released during the period/year	–	(286,361)
Exchange adjustment	17,368	(2,364)
As at 30 June 2017/31 December 2016	957,110	716,824

## NOTES TO THE FINANCIAL REPORT

### 13. Advances to Customers

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
<b>Non-current assets</b>		
Term loans to customers		
– secured	<b>461,801</b>	572,130
– unsecured	<b>34,062</b>	–
	<b>495,863</b>	572,130
<b>Current assets</b>		
Term loans to customers		
– secured	<b>2,643,369</b>	1,155,772
Less: impairment loss	<b>(43,316)</b>	(43,316)
	<b>2,600,053</b>	1,112,456
– unsecured	<b>916,867</b>	62,052
	<b>3,516,920</b>	1,174,508

Certain term loans to customers are secured by listed and unlisted securities with third party guarantees (see note 24(a)).

Except for the above, there were no significant receivables, that were aged, or requiring impairment provision as at 30 June 2017 and 31 December 2016.

### 14. Debtors, Deposits and Prepayments

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Accounts receivable, net	<b>264,836</b>	2,876,215
Deposits, prepayments, interest and other receivables	<b>722,753</b>	466,173
	<b>987,589</b>	3,342,388
Less: allowance for doubtful debts	<b>(11,052)</b>	(11,052)
	<b>976,537</b>	3,331,336

Accounts receivable are mainly amounts due from brokers, collectable in cash within one year and divestment proceeds receivable.

As at 30 June 2017 and 31 December 2016, the Group's receivable of HK\$11,052,000 was individually determined to be impaired.

# NOTES TO THE FINANCIAL REPORT

## 15. Trading Securities

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
<b>Current assets</b>		
At fair value:		
Listed equity securities		
– in Hong Kong	<b>381,582</b>	259,807
– outside Hong Kong	<b>401,938</b>	234,903
Listed debt securities		
– in Hong Kong	<b>10,167</b>	113,268
– outside Hong Kong	<b>737,617</b>	458,591
Unlisted investment fund	<b>47,353</b>	–
Unlisted debt securities	<b>6,077</b>	33,018
Derivatives		
– unlisted	<b>1,613</b>	3,724
	<b>1,586,347</b>	1,103,311
<b>Current liabilities</b>		
At fair value:		
Listed equity securities		
– in Hong Kong	<b>(37,481)</b>	(34,677)
– outside Hong Kong	<b>(38,202)</b>	(39,527)
Listed debt securities		
– outside Hong Kong	<b>(7,636)</b>	(71,052)
Unlisted debt securities	<b>(15,307)</b>	–
Derivatives		
– listed	<b>–</b>	(62)
– unlisted	<b>(454)</b>	(6,508)
	<b>(99,080)</b>	(151,826)

## NOTES TO THE FINANCIAL REPORT

### 16. Bank Loans

As at 30 June 2017 and 31 December 2016, the bank loans were unsecured.

Repayable details as follows:

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Within 1 year	<b>3,754,520</b>	4,147,432
After 1 year but within 5 years	<b>8,106,689</b>	6,387,706
	<b>11,861,209</b>	10,535,138

### 17. Creditors, Deposits Received and Accrued Charges

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Creditors, deposits received and accrued charges	<b>1,847,669</b>	1,226,925

As at 30 June 2017 and 31 December 2016, creditors, deposits received and accrued charges included bonus payable to staff.

# NOTES TO THE FINANCIAL REPORT

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## 18. Bond Payable

On 8 June 2016, the Board resolved to approve the proposed issue of the corporate bonds with aggregate principal amount of not more than RMB12,800 million. On 25 July 2016, the Company completed the issue of the first tranche of unsecured corporate bonds with an aggregate principal amount of RMB4,000 million (the "First Tranche Corporate Bonds"), of which RMB1,000 million was issued as the "Type 1 Bonds" at a coupon rate of 2.92% per annum, and RMB3,000 million was issued as the "Type 2 Bonds" at a coupon rate of 3.24% per annum, both payable annually in arrears and will mature on 22 July 2021.

Type 1 Bonds of the First Tranche Corporate Bonds was issued at par, the Company has the option to adjust the coupon rate and the investors have the option to sell back to the Company after 22 July 2019. Type 2 bonds of First Tranche Corporate Bonds was issued at par.

On 24 November 2016, the Company completed the issue of the second tranche of unsecured corporate bonds with an aggregate principal amount of RMB4,000 million (the "Second Tranche Corporate Bonds"), of which RMB2,000 million was issued as the "Type 1 Bonds" at a coupon rate of 3.22% per annum, and RMB2,000 million was issued as the "Type 2 Bonds" at a coupon rate of 3.37% per annum, both payable annually in arrears and will mature on 23 November 2022 and 23 November 2023, respectively.

Type 1 Bonds of the Second Tranche Corporate Bonds was issued at par, the Company has the option to adjust the coupon rate and the investors have the option to sell back to the Company after 23 November 2019. Type 2 Bonds of the Second Tranche Corporate Bonds was issued at par, the Company has the option to adjust the coupon rate and the investors have the option to sell back to the Company after 23 November 2020.

Both the First Tranche Corporate Bonds and the Second Tranche Corporate Bonds are listed in the Shanghai Stock Exchange. As at 30 June 2017, the notional amount of the outstanding bond were HK\$9,083 million (31 December 2016: HK\$8,998 million), equivalent to RMB8,000 million with amortised cost of HK\$9,083 million (31 December 2016: HK\$8,998 million) in condensed consolidated statement of financial position.

## NOTES TO THE FINANCIAL REPORT

### 19. Maturity Profile

The maturity profile of the Group's financial instruments as at the end of the reporting period, based on the contractual discounted payments, is as follows:

#### As at 30 June 2017

	Indefinite HK\$'000	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Total HK\$'000
<b>Assets</b>							
- Advances to customers	37,528	-	1,234,351	2,245,041	495,863	-	4,012,783
- Finance lease receivables	-	-	9,795	30,267	-	-	40,062
- Trading securities	832,283	-	754,064	-	-	-	1,586,347
- Available-for-sale securities	13,771,410	-	-	-	-	-	13,771,410
- Financial assets designated at fair value through profit or loss	21,677,036	-	-	483,055	-	-	22,160,091
- Cash and cash equivalents	-	2,338,719	231,430	-	-	-	2,570,149
	36,318,257	2,338,719	2,229,640	2,758,363	495,863	-	44,140,842
<b>Liabilities</b>							
- Bank loans	-	-	-	(3,754,520)	(8,106,689)	-	(11,861,209)
- Other financial liabilities	-	(1,899,797)	(179,164)	(291,736)	-	(1,233,232)	(3,603,929)
- Trading securities	(76,137)	-	(22,943)	-	-	-	(99,080)
- Bond payable	-	-	-	-	(4,541,600)	(4,541,600)	(9,083,200)
- Notes payable	-	(27,000)	-	-	(30,000)	-	(57,000)
	(76,137)	(1,926,797)	(202,107)	(4,046,256)	(12,678,289)	(5,774,832)	(24,704,418)



## NOTES TO THE FINANCIAL REPORT

### 19. Maturity Profile (continued)

As at 31 December 2016

	Indefinite HK\$'000	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Total HK\$'000
<b>Assets</b>							
- Advances to customers	37,353	194,472	62,054	880,629	572,130	-	1,746,638
- Finance lease receivables	-	-	9,443	29,122	20,138	-	58,703
- Trading securities	498,424	-	604,887	-	-	-	1,103,311
- Available-for-sale securities	15,046,694	-	-	-	67,213	-	15,113,907
- Financial assets designated at fair value through profit or loss	16,469,069	-	-	737,250	-	-	17,206,319
- Cash and cash equivalents	-	3,201,857	2,757,677	-	-	-	5,959,534
	32,051,540	3,396,329	3,434,061	1,647,001	659,481	-	41,188,412
<b>Liabilities</b>							
- Bank loans	-	-	(1,075,772)	(3,071,660)	(6,387,706)	-	(10,535,138)
- Other financial liabilities	-	(1,891,976)	-	(325,143)	(230,422)	(1,213,471)	(3,661,012)
- Trading securities	(80,774)	-	(71,052)	-	-	-	(151,826)
- Bond payable	-	-	-	-	(4,499,200)	(4,499,200)	(8,998,400)
- Notes payable	-	(27,000)	-	-	(30,000)	-	(57,000)
	(80,774)	(1,918,976)	(1,146,824)	(3,396,803)	(11,147,328)	(5,712,671)	(23,403,376)

# NOTES TO THE FINANCIAL REPORT

## 20. Share Capital

	30 June 2017		31 December 2016	
	No. of shares ('000)	HK\$'000	No. of shares ('000)	HK\$'000
Ordinary shares issued and fully paid: End of period/year	1,685,254	9,618,097	1,685,254	9,618,097

## 21. Material Related Party Transactions

(a) The following transactions were entered into with related parties during the period:

	1 January to 30 June 2017 HK\$'000	1 January to 30 June 2016 HK\$'000
Management fee received from:		
– a joint venture	614	1,670
– associates exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss	51,019	2,497
Loan interest income from:		
– associates exempted from applying the equity method and were recognised as financial assets designated at fair value through profit or loss	18,848	10,636
Bank interest income from a fellow subsidiary/a related party bank	10,961	4,636
Advisory income from associates	11,024	5,464
Dividend income from:		
– associates exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss	177,369	67,663
– a fellow subsidiary/a related party bank	174,997	352,667
Bank loan interest expense to a fellow subsidiary/a related party bank	10,624	8,699
Interest expense to a fellow subsidiary and a shareholder	–	4,597
Consultancy fee to an associate	9,759	–

## NOTES TO THE FINANCIAL REPORT

### 21. Material Related Party Transactions (continued)

- (b) Except as disclosed elsewhere in the financial statements, included in the condensed consolidated statement of financial position are the following balances with related parties:

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Amounts due from associates (included in debtors, deposits and prepayments)	<b>16,992</b>	295,098
Amounts due from associates exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss (included in debtors, deposits and prepayments)	<b>44,369</b>	74,883
Loans to associates exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss (included in advances to customers)	<b>210,242</b>	209,262
Bank deposit with a fellow subsidiary/ a related party bank	<b>1,160,766</b>	1,451,293
Bank loan from a fellow subsidiary/ a related party bank	<b>(701,352)</b>	(775,650)
Other financial liabilities due to an associate	<b>(1,899,797)</b>	(1,891,976)
Interests in collective investment schemes issued by an associate (included in available-for-sale securities)	<b>639,652</b>	633,680
Interests in collective investment schemes issued by an associate (included in financial assets designated at fair value through profit or loss)	<b>2,769,617</b>	2,552,544

## NOTES TO THE FINANCIAL REPORT

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### 21. Material Related Party Transactions (continued)

#### (b) (continued)

Amounts due from associates arose in the ordinary course of securities trading business, and are unsecured, interest-bearing and repayable upon demand.

Loans to associates exempted from applying the equity method and are recognised as a financial asset designated at fair value through profit or loss are secured, interest-bearing and have fixed repayment terms.

#### (c) Transactions with other PRC state-owned entities

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (“State-owned Entities”). Transactions with other State-owned Entities include but are not limited to: lending and deposit taking; insurance and redemption of bonds issued by other State-owned Entities; purchase, sale and leases of properties and other assets; and rendering and receiving of utilities and other services.

The Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

#### (d) Certain related party transactions above constitute connected transaction or continuing connected transaction as defined in chapter 14A of the Listing Rules.

# NOTES TO THE FINANCIAL REPORT

## 22. Contingent Liabilities

### Corporate guarantee

	Note	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Guarantee given by the Company to financial institutions in respect of banking facilities granted to subsidiaries	i	10,136,944	4,490,425

Note:

- i. The Group's subsidiaries have utilised these banking facilities of HK\$6,307,392,000 as at 30 June 2017 (31 December 2016: HK\$4,103,530,000).

## 23. Commitments

### (a) Capital commitments

As at 30 June 2017, the Group had capital commitments as follows:

	30 June 2017 HK\$'000	31 December 2016 HK\$'000
Contracted but not provided for	3,072,307	6,851,527

## NOTES TO THE FINANCIAL REPORT

### 23. Commitments (continued)

#### (b) Operating lease commitments

As at 30 June 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Within 1 year	<b>5,531</b>	7,226
After 1 year but within 5 years	<b>388</b>	296
	<b>5,919</b>	7,522

#### (c) Off-balance sheet exposure

The fair values and the contractual or notional amounts of the Group's trading equity derivatives outstanding at 30 June 2017 are detailed as follows:

	Fair value assets/ (liabilities)		Contractual/ notional amounts	
	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000	<b>30 June 2017 HK\$'000</b>	31 December 2016 HK\$'000
Asset derivative contracts	<b>1,613</b>	3,724	<b>56,013</b>	179,003
Liability derivative contracts	<b>(454)</b>	(6,570)	<b>26,843</b>	338,047

The financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices of the underlying instruments relative to their terms.

Notional amounts of these financial instruments provide a basis for comparison with instruments recognised in the condensed consolidated statement of financial position but do not necessarily indicate the amount of future cash flows involved or the current fair value of the instruments and, therefore, are not a representation of the Group's exposure to the credit or price risks.

# NOTES TO THE FINANCIAL REPORT

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## 24. Financial Instruments

Risk management is of fundamental importance to the business operation of the Group. The major types of risk inherent in the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The Group's risk management objective is to maximise shareholders' value and to reduce volatility in earnings while maintaining risk exposures within acceptable limits.

The Group's work in the area of risk management is led by the Chief Risk Officer and is executed by the Risk Management Department. This functional structure can assess, identify and document the Group's risk profile and to ensure that the business units focus, control and systematically avoid potential risks in various business areas. The following is a brief description of the Group's approach in managing these risks.

### (a) Credit risk

The Group's credit risk is primarily attributable to advances to customers, trade and other receivables, debt investments and unlisted derivative financial instruments.

For advances to customers, the Group may require collateral from customers before advances are granted. The amount of advance permitted depends on the quality and value of collateral provided by the customer. Any subsequent change in value as well as quality of collateral is closely monitored in order to determine whether any corrective action is required.

# NOTES TO THE FINANCIAL REPORT

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## 24. Financial Instruments (continued)

### (a) Credit risk (continued)

Trade and other receivables mainly arise from the Group's investment activities. Receivables from brokers and counterparties are normally repayable on demand. The Group has established procedures in the selection of brokers/counterparties with sound credit ratings and/or reputation.

Investments in debt instruments and unlisted derivative financial instruments are also governed by whether the issuers and the trade counterparties respectively have sound credit ratings.

The Group has well defined policies in place on the setting and approval of trading, credit and investment position limits in order to manage its credit risk exposure and concentration. As at the end of the reporting period date, the Group did not have a significant concentration of credit risk.

The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, at the end of the reporting period deducting any impairment allowance.



# NOTES TO THE FINANCIAL REPORT

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## 24. Financial Instruments (continued)

### (b) Liquidity risk

The Group's policy is to regularly assess current and expected liquidity requirements and to ensure that it maintains reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

For subsidiaries with statutory liquidity requirements, the Group closely monitors their liquidity positions. To ensure strict compliance, the Group maintains adequate cash reserves to prepare for immediate fund injection if required. If there is a medium to long-term operational need, the management would also consider adjusting those subsidiaries' capital structure. Subsidiaries with external equity stakeholders are generally responsible for their own liquidity management.

### (c) Interest rate risk

The Group monitors its interest rate exposure regularly to ensure that the underlying risk is monitored within an acceptable range.

The Group's interest rate positions arise from treasury and operating activities. Interest rate risk arises from treasury management, customer financing and investment portfolios. Interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets, liabilities and commitments. Interest rate risk is managed by the Finance and Accounting Department under the delegated authority of the Board of Directors and is monitored by the Risk Management Department. The instruments used to manage interest rate risk include time deposits and interest rate linked derivatives, if necessary.

The Group is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In respect of the Group's interest-bearing financial instruments, the Group's policy is to mainly transact in financial instruments that mature or reprice in the short to mid term. Accordingly, the Group would be subject to limited exposure to fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

# NOTES TO THE FINANCIAL REPORT

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## 24. Financial Instruments (continued)

### (d) Currency risk

The Group's exposure to currency risk primarily stems from holdings of monetary assets and liabilities denominated in foreign currencies, other than Hong Kong dollars and net investment in foreign operations. As most of the Group's monetary assets and liabilities and net investment in foreign operations are denominated in Hong Kong dollars, Renminbi, United States dollars and Singapore dollars, management is aware of the likely increase in volatility in these currencies and takes a balanced view when considering the management of currency risk.

Overall, the Group monitors its currency exposure closely and would consider hedging significant currency exposure should the need arise.

### (e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 15), available-for-sale securities (see note 11) and financial assets designated as fair value through profit or loss (see note 12). Other than unlisted securities held for medium to long-term strategic purposes, all of these investments are listed.

The Group's listed investments are mainly listed on the Stock Exchange of Hong Kong, the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Decisions to buy or sell trading securities rest with assigned investment team professionals and each investment portfolio is governed by specific investment and risk management guideline. Independent daily monitoring of each portfolio against the corresponding guideline is carried out by the Risk Management Department. Listed equity investments held in the available-for-sale securities and financial assets designated at fair value through profit or loss portfolio have been chosen based on their medium to long-term growth potential and are monitored regularly for performance against expectations.

The performance of the Group's investments in unquoted equity instruments is assessed periodically, based on the information available to the Group.

## 25. Fair Value of Financial Instruments

### Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group uses a professional independent valuers to perform valuations of certain financial instruments, including available-for-sale equity securities and financial assets designated at fair value through profit or loss which are categorised into Level 3 of the fair value hierarchy. The professional valuer reports directly to the Chief Financial Officer, Chief Risk Officer and the Audit and Risk Management Committee. Valuation reports with analysis of changes in fair value measurement are prepared by the professional valuers at each interim and annual reporting date, and are reviewed and approved by the Chief Financial Officer, Chief Risk Officer and the Audit and Risk Management Committee. Discussion of the valuation process and results with the Chief Financial Officer and the Audit and Risk Management Committee is held twice a year to coincide with the reporting dates.

In addition to the above valuer, the Group also takes reference to the valuation reports performed by other professional valuers to ascertain the fair values of certain investments with underlying interests in real estate investment and some other private equity investments.

## NOTES TO THE FINANCIAL REPORT

### 25. Fair Value of Financial Instruments (continued)

As at 30 June 2017

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Recurring fair value measurement</b>				
<b>Assets</b>				
Available-for-sale securities	8,079,737	171,648	5,520,025	13,771,410
Financial assets designated at fair value through profit or loss	487,086	-	21,673,005	22,160,091
Trading securities	1,531,304	55,043	-	1,586,347
	10,098,127	226,691	27,193,030	37,517,848
<b>Liabilities</b>				
Trading securities	(83,319)	(15,761)	-	(99,080)

As at 31 December 2016

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Recurring fair value measurement</b>				
<b>Assets</b>				
Available-for-sale securities	9,572,940	141,696	5,399,271	15,113,907
Financial assets designated at fair value through profit or loss	541,993	-	16,664,326	17,206,319
Trading securities	1,066,568	36,743	-	1,103,311
	11,181,501	178,439	22,063,597	33,423,537
<b>Liabilities</b>				
Trading securities	(145,257)	(6,569)	-	(151,826)

# NOTES TO THE FINANCIAL REPORT

## 25. Fair Value of Financial Instruments (continued)

### Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of listed and unlisted debt securities and derivatives in Level 2 is determined using broker quotes. The fair value of an unlisted investment fund in Level 2 is determined by the net asset value of the investment fund.

### Information about Level 3 fair value measurements

As at 30 June 2017

Valuation techniques	Significant unobservable inputs	Range	Relationship of unobservable inputs to the fair value
Market comparable companies	Discount for lack of marketability	20% to 30%	The higher the discount, the lower the fair value
	Market multiples	1.2 to 58.2	The higher the multiples, the higher the fair value
Binomial model and equity allocation model	Discount rate	3.96% to 18.52%	The higher the discount, the lower the fair value
	Volatility	27.00% to 65.52%	The higher the volatility, the higher the fair value
Discounted transaction price	Control premium	20%	The higher the discount, the lower the fair value

Remark: The above sensitivity analysis is related to the Level 3 financial instruments recorded in available-for-sale securities and financial assets designated at fair value through profit or loss.

# NOTES TO THE FINANCIAL REPORT

## 25. Fair Value of Financial Instruments (continued) Information about Level 3 fair value measurements (continued)

As at 31 December 2016

Valuation techniques	Significant unobservable inputs	Range	Relationship of unobservable inputs to the fair value
Market comparable companies	Discount for lack of marketability	20% to 30%	The higher the discount, the lower the fair value
	Market multiples	2.2 to 43.9	The higher the multiples, the higher the fair value
Binomial model and equity allocation model	Discount rate	4.27% to 18.56%	The higher the discount, the lower the fair value
	Volatility	35.23% to 96.50%	The higher the volatility, the higher the fair value
Discounted transaction price	Control premium	20%	The higher the discount, the lower the fair value

The fair value of unquoted equity investments is estimated using an appropriate combination of:

- (1) making reference to capital statements, management information and valuation reports provided by third parties,
- (2) deducing from prices recently paid for similar assets, quoted market prices in active markets and the financial indicators of the transacted assets such as net book value and net operating profit; and
- (3) applying, if possible, price to earnings ("P/E") ratios, price to book ("P/B") ratios, enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") ratios and enterprise value to sales ("EV/Sales") ratios for similar listed companies adjusted to reflect the specific circumstances of the investments.

# NOTES TO THE FINANCIAL REPORT

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## **25. Fair Value of Financial Instruments (continued)**

### **Information about Level 3 fair value measurements (continued)**

The Group has certain shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange, which are subject to restriction on sales for defined periods. The fair value measurement reflected the effect of such restriction with an adjustment to the quoted price of otherwise similar but unrestricted securities.

The fair value of convertible notes is estimated discounting future cash flows. Future cash flows are estimated based on management's best estimate of the amount it would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions. The discount rate used is a market rate for a similar instrument at the end of the reporting period. The fair value of an option contract is determined by applying an option valuation model such as the Black-Scholes valuation model. Inputs are based on market related data at the end of the reporting period.

## NOTES TO THE FINANCIAL REPORT

### 25. Fair Value of Financial Instruments (continued)

#### Information about Level 3 fair value measurements (continued)

The movements during the period in the balance of Level 3 financial instruments are as follows:

	Available- for-sale securities HK\$'000	Financial assets designated at fair value through profit or loss HK\$'000
At 1 January 2016	6,324,293	9,944,002
Purchased	774,472	11,355,761
Net unrealised gain or loss recognised in other comprehensive income	1,641,278	–
Net realised and unrealised gain or loss recognised in profit or loss	–	552,526
Sold	(3,474,866)	(5,485,415)
Reclassification	134,094	297,452
At 31 December 2016 and 1 January 2017	5,399,271	16,664,326
Purchased	<b>20,813</b>	<b>6,501,295</b>
Net unrealised gain or loss recognised in other comprehensive income	<b>103,895</b>	–
Net realised and unrealised gain or loss recognised in profit or loss	–	<b>342,606</b>
Sold	<b>(3,954)</b>	<b>(1,835,222)</b>
<b>At 30 June 2017</b>	<b>5,520,025</b>	<b>21,673,005</b>

During the period ended 30 June 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

As at 31 December 2016, available-for-sale securities with a fair value of HK\$431,545,000 was previously valued using an unadjusted quoted price in the active market. As an unadjusted quoted price is no longer available in the active market and unobservable inputs were applied to the valuation technique, accordingly the investments were transferred from Level 1 to Level 3 of the fair value hierarchy in 2016.



# NOTES TO THE FINANCIAL REPORT

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## 26. Segment Information

The Group manages and conducts the majority of its business activities by business units. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments:

### Fund Management Business

Fund management business refers that the Group raises funds from external investors and deploys the Group's seed capital into specific clients, applies its knowledge and experience to make investment decisions on the capital according to laws, regulations and the fund's prospectus, while seeking to maximise gains for investors. The fund management business is comprised of primary market investment, secondary market investment, Everbright Prestige and Multi-Strategy Alternative Investment Fund.

# NOTES TO THE FINANCIAL REPORT

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## 26. Segment Information (continued)

### Fund Management Business (continued)

- Primary market investment includes:
  - Private equity funds – investment in unlisted equity securities and/or equity derivatives with meaningful equity position for participating in the ongoing management of these companies, and with an ultimate objective of capital gain on investee’s equity listing or through other exit channels;
  - Venture capital funds – invest primarily in companies at the start-up and development stage, or companies which are still in the business planning stage. The investment goal is to achieve a higher return assuming manageable and higher risk by providing investee companies with assistance in investment, financing, management and listing in order to enhance the development of such companies;
  - Sector focus funds – focus specifically on long-term equity investment in specific industries or merger and acquisition opportunities. The investment areas include real estate, infrastructure, medical and healthcare, resources assets (including low carbon and new energy industries), manufacturing, technology, media and telecom (“TMT”) as well as merger and acquisition opportunities;
  - Mezzanine funds – focus on private equity investment, pre-IPO financing and structured financing for listed companies and major shareholders of listed companies. It uses foreign currencies and/or renminbi flexibly to fulfill the onshore and offshore financial needs of its target companies. The investment team follows clear, uncomplicated investment philosophies by adopting a conservative, diversified and flexible investment approach that aims for above-market returns on investment with below-average levels of business risk; and
  - Overseas investment funds – The Group’s overseas investment funds leverage on the Group’s business resources and networks, and expect to provide value-added support for investee companies outside China. In particular, the overseas investment funds plan to introduce its portfolio companies’ products and technologies to the enormous Chinese market so as to create and enhance the value of the portfolio companies, and ultimately create investment returns to investors.

# NOTES TO THE FINANCIAL REPORT

## 26. Segment Information (continued)

### Fund Management Business (continued)

- Secondary market investment – provides a diversified range of financial services, including asset management, investment management and investment advisory activities. Products include absolute return funds, bond funds and equity funds.
- Everbright Prestige – Everbright Prestige engages in asset management for specific clients and other business activities authorised by the China Securities Regulatory Commission. The business can provide advisory services directly to specific customers including Qualified Foreign Institutional Investors, onshore insurance companies and other institutions which are set up and operate according to the law. Everbright Prestige has become an important carrier and business platform for the Group's asset management business in mainland China, demonstrating its value in four areas including assets under management contribution, product creation and design, distribution channels and client consolidation, and the creation of more "Everbright" synergy.
- Multi-strategy Alternative Investment Fund ("Fund of Funds" or "FoF") – FoF invested in funds initiated and managed by the Group as well as external funds with proven track records of performance and governance. FoF can provide one-stop solution that offers liquidity and potential returns for mega-size institutions.

### Principal Investment

The Group fully utilises its proprietary capital to achieve three goals: (1) nurture investment teams and developing high quality financial products to promote and support fund management business; (2) invest in the Group's or external projects, funds or products to maximise returns within controlled risk levels and contribute to steady long-term revenue, (3) improve cash flow by treasury management. In addition, it also covers business to be reportable (including but not limited to the Group's investment in properties and other corporate activities).

### Strategic Investment

This represents strategic investment in Everbright Securities and Everbright Bank.

# NOTES TO THE FINANCIAL REPORT

## 26. Segment Information (continued)

### Business segments

For the six months period ended 30 June 2017:

	Continuing operations							Discontinued operations	Total HK\$'000
	Fund Management Business							Principal Investment HK\$'000	
	Primary Market HK\$'000	Secondary Market HK\$'000	Fund of Funds HK\$'000	Everbright Prestige HK\$'000	Principal Investment HK\$'000	Strategic Investment HK\$'000	Reportable segments total HK\$'000		
<b>INCOME</b>									
Operating income from external customers	369,829	162,117	4,974	-	168,936	174,997	880,853	-	880,853
Other net income from external customers	62,920	6,104	-	-	1,039,401	-	1,108,425	-	1,108,425
Total operating income and other net income	432,749	168,221	4,974	-	1,208,337	174,997	1,989,278	-	1,989,278
<b>RESULTS AND RECONCILIATION OF SEGMENT RESULTS</b>									
Segment results before non-controlling interests	298,119	113,182	4,974	-	1,122,281	152,013	1,690,569	11,249	1,701,818
Unallocated head office and corporate expenses									(459,151)
Share of profits less losses of associates	58,203	-	-	7,556	94,185	345,850	505,794	-	505,794
Share of profits less losses of joint ventures	30,652	-	-	-	-	-	30,652	-	30,652
Profit before taxation									1,779,113
Less: Non-controlling interests	(100,214)	(599)	-	-	(11,187)	-	(112,000)	15,016	
Segment results	286,760	112,583	4,974	7,556	1,205,279	497,863	2,115,015	26,265	

# NOTES TO THE FINANCIAL REPORT

## 26. Segment Information (continued)

### Business segments (continued)

For the six months period ended 30 June 2016 (Restated):

	Continuing operations							Discontinued operations	Total HK\$'000
	Fund Management Business						Reportable segments total HK\$'000	Principal Investment HK\$'000	
	Primary Market HK\$'000	Secondary Market HK\$'000	Fund of Funds HK\$'000	Everbright Prestige HK\$'000	Principal Investment HK\$'000	Strategic Investment HK\$'000			
<b>INCOME</b>									
Operating income from external customers	484,187	62,144	1,648	-	115,000	352,667	1,015,646	-	1,015,646
Other net income from external customers	224,823	(10,431)	-	-	588,659	343,031	1,146,082	-	1,146,082
Total operating income and other net income	709,010	51,713	1,648	-	703,659	695,698	2,161,728	-	2,161,728
<b>RESULTS AND RECONCILIATION OF SEGMENT RESULTS</b>									
Segment results before non-controlling interests	465,306	9,143	1,648	-	332,955	674,037	1,483,089	94,570	1,577,659
Unallocated head office and corporate expenses									(286,051)
Share of profits less losses of associates	39,727	-	-	4,758	84,644	436,200	565,329	-	565,329
Share of profits less losses of joint ventures	6,973	-	-	-	-	-	6,973	-	6,973
Loss on deemed disposal of interest in an associate	-	-	-	-	(17,697)	-	(17,697)	-	(17,697)
Profit before taxation									1,846,213
Less: Non-controlling interests	(216,415)	3,730	-	-	(386)	-	(213,071)	(18,679)	
Segment results	295,591	12,873	1,648	4,758	399,516	1,110,237	1,824,623	75,891	

# NOTES TO THE FINANCIAL REPORT

## 26. Segment Information (continued)

### Other information

As at 30 June 2017:

	Continuing operations							Discontinued operations	Total HK\$'000
	Fund Management Business							Principal Investment HK\$'000	
	Primary Market HK\$'000	Secondary Market HK\$'000	Fund of Funds HK\$'000	Everbright Prestige HK\$'000	Principal Investment HK\$'000	Strategic Investment HK\$'000	Reportable segments total HK\$'000		
Segment assets	19,919,690	3,854,988	625,471	-	13,302,008	7,371,663	45,073,820	3,637,174	48,710,994
Investments in associates	2,681,472	-	-	-	1,183,785	13,621,330	17,486,587	-	17,486,587
Investments in joint ventures	362,538	-	-	219,896	-	-	582,434	-	582,434
Amounts due from investee companies	163,965	-	-	-	78,509	-	242,474	-	242,474
Amounts due from associates	-	-	-	-	1,000,000	258,701	1,258,701	-	1,258,701
Finance lease receivables	-	-	-	-	40,062	-	40,062	-	40,062
Unallocated head office and corporate assets									517,224
Total assets									68,838,476
Segment liabilities	2,564,139	353,147	-	-	2,466,564	-	5,383,850	1,446,068	6,829,918
Amount due to a joint venture	-	-	-	45,393	-	-	45,393	-	45,393
Amount due to investee companies	-	-	-	-	4,769	-	4,769	-	4,769
Unallocated head office and corporate liabilities									21,168,237
Provision for taxation									439,320
Deferred tax liabilities									1,027,270
Total liabilities									29,514,907

# NOTES TO THE FINANCIAL REPORT

## 26. Segment Information (continued)

### Other information (continued)

As at 31 December 2016 (Restated):

	Continuing operations							Discontinued operations	Total HK\$'000
	Fund Management Business							Principal Investment	
	Primary Market HK\$'000	Secondary Market HK\$'000	Fund of Funds HK\$'000	Everbright Prestige HK\$'000	Principal Investment HK\$'000	Strategic Investment HK\$'000	Reportable segments total HK\$'000		
Segment assets	18,608,286	2,308,516	618,507	-	16,149,922	6,899,152	44,584,383	3,057,129	47,641,512
Investments in associates	1,929,975	-	-	115,945	1,002,669	13,038,663	16,087,252	-	16,087,252
Investments in joint ventures	351,445	-	-	-	-	-	351,445	-	351,445
Amounts due from investee companies	186,040	-	-	-	90,658	-	276,698	-	276,698
Amounts due from associates	1,648,988	-	-	-	1,000,000	-	2,648,988	-	2,648,988
Finance lease receivables	-	-	-	-	58,703	-	58,703	-	58,703
Unallocated head office and corporate assets									430,738
Total assets									67,495,336
Segment liabilities	2,381,840	178,254	-	-	2,874,501	-	5,434,595	955,708	6,390,303
Amount due to an associate	-	-	-	44,896	-	-	44,896	-	44,896
Amounts due to investee companies	-	-	-	-	211,632	-	211,632	-	211,632
Unallocated head office and corporate liabilities									19,195,706
Provision for taxation									1,046,821
Deferred tax liabilities									1,119,583
Total liabilities									28,008,941

## NOTES TO THE FINANCIAL REPORT

### 26. Segment Information (continued)

#### Geographical segments

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and investment properties and interests in associates and joint ventures ("Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the Specified non-current assets is based on the physical locations of the assets. For interests in associates and joint ventures, the geographical location is based on the locations of operations.

	For the six months period ended 30 June 2017			For the six months period ended 30 June 2016		
	Hong Kong and others	Mainland China	Total	Hong Kong and others	Mainland China	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment income						
Operating income	431,190	449,663	880,853	742,257	273,389	1,015,646
Other net income	(4,352)	1,112,777	1,108,425	793,874	352,208	1,146,082
	<b>426,838</b>	<b>1,562,440</b>	<b>1,989,278</b>	<b>1,536,131</b>	<b>625,597</b>	<b>2,161,728</b>

	30 June 2017			31 December 2016		
	Hong Kong and others	Mainland China	Total	Hong Kong and others	Mainland China	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Specified non-current assets	1,510,731	17,072,017	18,582,748	1,365,573	15,627,200	16,992,773

### 27. Non-adjusting Events After the Reporting Period

On 11 July 2017, the Company has completed the issue of bonds with an aggregate principal amount of RMB2.5 billion, of which RMB1 billion was issued at a coupon rate of 4.55%, and RMB1.5 billion was issued at a coupon rate of 4.80%.



# INDEPENDENT REVIEW REPORT

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Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

## **Report on review of interim financial information To the board of directors of China Everbright Limited**

*(Incorporated in Hong Kong with limited liability)*

### **Introduction**

We have reviewed the interim financial information set out on pages 3 to 54, which comprises the condensed consolidated statement of financial position of China Everbright Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2017 and the related condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

# INDEPENDENT REVIEW REPORT

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## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

## **Ernst & Young**

*Certified Public Accountants*

Hong Kong

30 August 2017

# OVERVIEW OF THE FIRST HALF OF 2017

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## Review of the Macroeconomic Situation

In the first half of 2017, the global economy performed positively on the whole. The US recorded impressive economic numbers underlined by robust GDP growth and labour market figures, while the American stock market continued to scale new highs amid bullish sentiment. However, the weakness of the greenback reflected market concerns about White House policy uncertainties. The Eurozone was in full recovery, showing stronger-than-expected growth in a number of key economic indicators and outperforming the US in overall terms. The Bank of Japan carried monetary easing to the extreme, moving from QE to QQE and then QQE with negative interest rates, but there was no significant improvement in inflation rate as the Japanese economy continued to reel under heavy pressure.

During the period under review, China turned in a better-than-expected economic performance. In addition, the mainland and Hong Kong stock markets both saw strong rallies with economic performances expected to stabilise in the short term. Together, these represented initial signs that China's structural reforms, especially those related to urbanisation, were beginning to stimulate domestic demand. They also pointed to the continued support of China's manufacturing sector from a massive domestic market and the strengths of the country's supply chain clusters. While the policy initiatives proposed at the recent National Financial Work Conference to strengthen regulation and deleveraging may have a near-term impact on part of the financial service industry, they will produce greater benefits in terms of market regulation and driving capital into the real economy.

At China Everbright Limited, we are committed to applying our global vision to serve the needs of Chinese corporations, exploring sound investment opportunities at an international level and developing asset allocation capabilities across a range of locations and investment horizons. Backed by the strength of our professional investment and fund management system, we seek to generate positive returns for our shareholders and investors by building portfolios tailored to different phases of economic cycles. In the period under review, our investments in the US and Europe performed commendably, benefiting from improving market conditions overseas. The gradual improvement in standards and regulations for China's financial market systems has helped us achieve breakthroughs in fundraising scale and project investment size, among other aspects.

# OVERVIEW OF THE FIRST HALF OF 2017

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## Milestones in the first half of 2017

In the first half of 2017, CEL's direct operating businesses maintained stable development and achieved a number of breakthroughs:

### 1. Reached the HKD100 billion mark in fundraising for fund management business

During the first half of 2017, Everbright Overseas Infrastructure Investment Fund completed their formations and first closings. Meanwhile the primary market fund management teams at CEL Global Investment Fund and EBA Investments completed the establishment of new funds, and the fundraising scale for secondary market open-end funds scaled up further. As a result of concerted efforts made by different fund management teams in driving business growth, CEL's total fundraising scale officially topped the HK\$100 billion mark, achieving 22 % growth from the end of 2016 to reach HK\$ 106.6 billion.

### 2. Established cooperation with mainland China's leading joint-stock bank

During the reporting period, CEL and China Merchants Bank jointly set up an RMB5 billion Everbright-CMB Multi-strategy Equity Investment Fund. This cooperative venture brings together China Everbright Limited's diverse fund platforms and China Merchants Bank's strong capital resources and rich asset management experience, demonstrating once again CEL's ability to meet the demand for one-stop financial services among mainland China's major organisations.

### **Milestones in the first half of 2017 (continued)**

#### **3. Strengthened the Group's capabilities in industry-finance integration to further consolidate its platform**

CEL is committed to an investment philosophy focusing on industry-finance integration, uplifting its value investment and raising its level of capital employment. During the reporting period, CEL acquired equity interest in Jiabao Group (SH: 600622) by raising its stake in the company to 24.33%. This example of industry-finance integration demonstrates the Group's confidence in the prospects of EBA Investments' real estate business. It also bolsters the team's strong capabilities in asset management, and implements the integration of Jiabao Group and EBA Investment with emphasis on asset-light business models. Meanwhile CEL maintained its stake in China Aircraft Leasing Company ("CALC"), helping it acquire 100% of Universal Asset Management ("UAM") through a general offer as well as complete the agreement to purchase 50 new airplanes from the Boeing 737 MAX family. Through these efforts, the Group is guiding CALC to systematically develop its industry-finance integration capabilities.

During the reporting period, CEL not only consolidated its full value chain capabilities in real estate, aircraft leasing and other sectors where it seeks strong expansion, but also optimised its internal structure. Through measures such as strengthening central management and consolidating the sales functions of funds, CEL has also fortified the development of its platform.

## OVERVIEW OF THE FIRST HALF OF 2017

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### Milestones in the first half of 2017 (continued)

During the period under review, CEL won a host of market accolades:

1. CEL was named “The Most Competitive Venture Capital Firm” and “Best Exit Case” at the 2017 China Venture Capital Golden Eagle Awards. Chief Executive Officer Mr Chen Shuang was named “Outstanding Venture Capitalist”.
2. CEL won the QuamIR Awards 2016 (Main Board Category) for its outstanding performance in investor relations.
3. The Group’s EBP-EBA IMIX Park Asset-backed Special Programme was selected as “The Most Popular REITs and Commercial Real Estate Mortgage ABS 2016” at the Annual Awards for China Asset Securitisation.
4. In the selection jointly organised by the Development Research Center of the State Council, the Tsinghua University’s Institute of Real Estate Studies and the China Index Academy, EBA Investments topped the “Top 10 Chinese Real Estate Funds” for the third consecutive year, and the brand “IMIX” under EBA Investments was named “the 2016 top 10 brands of China Commercial Real Estate Companies”.
5. In the selection jointly organised by the Development Research Center of the State Council, the Tsinghua University’s Institute of Real Estate Studies and the China Index Academy, EBP Asset Management was selected as the “Leading Asset Management Firm in China 2017”.
6. Everbright-IDG Industrial Fund won three prizes at the ChinaVenture Investment Conference awards, including “Up-and-coming Institutional PE Investor of the Year”, “Top 100 Institutional PE Investor” and “Top 50 Chinese Institutional PE Investor”.

## OVERVIEW OF THE FIRST HALF OF 2017

### Operating Results

CEL posted a profit attributable to shareholders of HK\$1,490 million in the first half of 2017, representing a year-on-year increase of 6%. Our direct operating businesses delivered strong results, contributing a profit attributable to shareholders of HK\$987 million, up 73% year-on-year. In the same period, as China Everbright Bank lowered its annual dividend payout ratio, the dividend income after tax that it contributed to CEL was down 50% year-on-year to HK\$157 million. Due to the generally lackluster performance of A-share trading, our share of profit from Everbright Securities declined 34% year-on-year to HK\$346 million.

	1H 2017 (HK\$ million)	1H 2016 (HK\$ million)	Change
Profit attributable to shareholders from major business segments			
CEL's direct operating businesses	987	570	73%
Share of profit from Everbright Securities	346	524	-34%
Dividend income contributed by China Everbright Bank (after tax)	157	317	-50%
Total	1,490	1,411	6%

During the reporting period, CEL's direct operating businesses posted a pre-tax profit of HK\$1,247 million, up 43% year-on-year. Of this amount, the fund management business recorded a pre-tax profit of HK\$513 million, representing a slight decrease of 3%. On the principal investment front, we continued to invest in different sectors, projects held measured at a fair value of HK\$22.7 billion. At the same time, we took advantage of timely opportunities to exit several mature projects, realising a pre-tax profit of HK\$1,193 million, a 89% increase year-on-year.

## OVERVIEW OF THE FIRST HALF OF 2017

### Operating Results (continued)

	<b>1H 2017</b> <b>(HK\$</b> <b>million)</b>	1H 2016 (HK\$ million)	Change
Pre-tax profit from CEL's direct operating businesses			
Fund management	<b>513</b>	528	-3%
Principal investment	<b>1,193</b>	632	89%
Corporate expenses	<b>(459)</b>	(286)	60%
Total	<b>1,247</b>	874	43%

In the first half of 2017, the Group's total expenditure was HK\$715 million, up 29% compared with the same period last year. Total cost-to-income ratio was 35.9%, up 10.3 percentage points. To address the needs of business development, the Group's interest-bearing debt ratio was raised to 53.4%, while the quick ratio was maintained at 130.2%, reflecting the Group's continuously stable liquidity position.

	<b>1H 2017</b> <b>(HK\$</b> <b>million)</b>	1H 2016 (HK\$ million)	Change
Key financial data			
Operating expenses	<b>715</b>	553	29%
Total cost-to-income ratio (Note)	<b>35.9%</b>	25.6%	+10.3ppt
Interest-bearing debt ratio	<b>53.4%</b>	49.6%	+3.8ppt
Quick Ratio	<b>130.2%</b>	170.0%	-39.8ppt
		(the end of 2016)	
		(the end of 2016)	

Note: Total cost-to-income ratio is calculated as (staff costs + depreciation expenses + operating expenses + finance costs)/(operating income + other net income).



### 1. Fund Management Business

As at 30 June 2017, the fundraising scale of CEL's fund management business broke the HK\$100 billion mark to reach HK\$106.6 billion, up 22% from the end of 2016, marking a new stage of development for this business segment. Of the total amount raised, external funds accounted for 78%.

CEL currently manages 38 funds, with 96 primary market post-investment management projects and 16 secondary market portfolios. Of the post-investment management projects, 13 have been listed on stock markets around the world. The fair value of the projects and investment portfolios held (excluding non-committed and exited projects) is estimated at HK\$83.2 billion.

# CORE BUSINESS – CROSS-BORDER INVESTMENT AND ASSET MANAGEMENT

## 1. Fund Management Business (continued)

Below are the funds under the Group and its affiliate company's fund management business (as at 30 June 2017):

Sector	Category	Funds	Year of Launch	Investment Focus	Total Committed Capital
Primary Market Investment	PE Funds	China Special Opportunities Fund II	2007	Telecom, media, hi-tech & consumer Agriculture, consumer goods & financial auxiliary	USD100 M
		China Special Opportunities Fund III	2010		USD399 M
	VC Funds	Beijing Zhongguancun Industry Investment Fund	2007	High-growth manufacturing, hi-tech & servicing	RMB160 M
		Everbright Jianguin Asset Investment Fund	2009	High-growth industries	RMB260 M
	Sector Focus Funds	Everbright Guolian Fund	2009	High-growth industries	RMB320 M
			2009	China real estate	USD140 M
		Everbright Ashmore China Real Estate Fund (USD)	2009	China real estate	RMB38.6 B
			2009	China real estate	USD120 M
		Everbright Hero Fund	2014	Ying Li International Real Estate	RMB600 M
			2012	Healthcare industry	RMB1.2 B
		Everbright Medical and Healthcare Fund I	2015	Healthcare industry	RMB100 M
			2010	New materials, environmental & energy saving	RMB650 M
		Everbright Qingdao New Energy (Low Carbon) Fund	2013	New materials, environmental, energy saving	RMB2 B
			2016	High-growth industries	RMB1.8 B
	Everbright Zhengzhou Fund	2014	Municipal engineering, environmental protection	RMB10 B	
		2016	Investment opportunities in sub-sector leaders	RMB1.2 B	
	Shandong Hi-Speed Everbright industrial Fund	2014	Municipal engineering, environmental protection	USD156 M	
		2016	Global opportunities	USD294 M	
	Everbright-IDG Industrial Fund	2017	Global infrastructure projects	USD300 M	
		2012	Onshore mezzanine opportunity	RMB800 M	
Overseas Investment	CEL Catalyst China Israel Fund	2016	Onshore mezzanine opportunity	RMB817 M	
		2014	Innovative Israel enterprise	USD156 M	
Mezzanine Funds	RMB Mezzanine Fund I	2012	Onshore mezzanine opportunity	RMB800 M	
		2016	Onshore mezzanine opportunity	RMB817 M	
Secondary Market Investment	Equity Funds	2012	Equity product investment	HKD4.6 B equivalent	
	Fixed Income Funds	2012	Fixed income product investment	HKD6.9 B equivalent	
	New Third Board Market fund	2015	New Third Board Market	HKD240 M equivalent	
Everbright Prestige	Asset Management for Onshore clients	2014	Everbright managed products	RMB4.7 B	
FoF	Multi-strategy alternative investment fund	2015	Market-leading private equity fund	RMB5 B	
	Everbright-CMB Multi-strategy equity investment fund	2017	Market-leading private equity fund	RMB5 B	
<b>Total</b>				<b>HKD106.6 B equivalent</b>	

**1. Fund Management Business (continued)**

During the reporting period, income from the fund management business was HK\$702 million, down 14%. Fund management and consultancy fees were HK\$107 million, down 35%, as the fee income earned from managing EBA Real Estate Fund, which was incorporated into the Group's partly-owned Jiabao Group, could not be directly reflected in the Group's financial statements. Interest income from the provision of structured financing products for clients was HK\$62 million, up 29%. Dividend income from investees amounted to HK\$271 million, down 10%. During the period, the Group's fund management business recorded a realised capital loss of HK\$54 million and an unrealised gain of HK\$187 million.

Major Income from fund management business (Classified by nature of income)	First half of 2017 (HK\$ million)	First half of 2016 (HK\$ million)	Change
Management and consultancy fees	107	164	-35%
Interest income	62	48	29%
Dividend income	271	302	-10%
Realised gain/(loss)	(54)	664	N/A
Unrealised gain/(loss)	187	(404)	N/A
Jiabao Group (accounted for as an associate)	58	–	N/A

### 1. Fund Management Business (continued)

#### (1) Primary Market Funds

As at 30 June 2017, Primary Market Funds had raised a total of HK\$78.3 billion, an increase of 21% over the previous year. Currently, The Funds have invested in and are holding 96 post-investment management projects with a total fair value estimated at HK\$62.3 billion.

CEL is now among China's top private equity firms in the primary market, with its investors ranging from institutions like joint-stock commercial banks, corporations, investment companies, trusts and asset managers, providing increasingly solid and diversified source of funding. Armed with competitive advantages in fund raising, investment, management and divestment, CEL's fund management team continues to strive for perfection in each of these areas.

**Fundraising:** Using a diversified fund structure, CEL has developed a comprehensive portfolio of funds independently set up by sector and investment stage. On one hand, the fund team leverages the flexibility of CEL's strong capital resources to help it expand its fundraising scale, while on the other hand it explores synergies with domestic and overseas investors based on its insight into investee projects, which are appropriately distributed in such a manner as to enhance the fee structures and levels of its funds.

In the first half of 2017, Everbright Overseas Infrastructure Investment Fund completed their formations and first closings. Meanwhile the primary market fund management teams at CEL Global Investment Fund and EBA Investments completed the establishment of new funds. In this process, the Group successfully completed the establishment of the new funds by leveraging the flexibility of its seed capital, financing projects by injecting its warehouse projects and targeting specific projects with non-directional funds.

### 1. Fund Management Business (continued)

#### (1) Primary Market Funds (continued)

**Investment:** Building on its strong platform, CEL consistently provides investment teams with its full support to enhance their ability to identify value and understand risks at a micro level. In the initial stage of a project, investment teams work with world-leading consultancies and increase investment in R&D while improving product and value creation capabilities. In this way, the Group successfully secure investment for quality projects through more efficient utilisation of capital, stronger execution and more effective deal-making skills, even when competing with top-notch international private equity firms.

During the reporting period, CEL successfully secured investment from iQIYI, NextEV, Mi-Me and other leaders in their respective fields, venturing into mobile video, new energy cars and online payment amongst other sectors. It also helped MLS complete the cross-border acquisition of Germany-based OSRAM's lighting business, demonstrating its strong capability to execute overseas acquisitions that address the needs of Chinese corporations. In addition, it assisted IDG Capital in the acquisition of International Data Group (IDG), showing its strong capital operational capability. The completion of these investments has further optimised CEL's investment plans and raised the Group's profile in a number of different sectors.

**Post-investment Management:** As its teams broaden their scope of investment, CEL is attaching ever-greater importance to controlling core elements of the post-investment management process, as well as continuing to create added value for investees through orderly post-investment management.

### 1. Fund Management Business (continued)

#### (1) Primary Market Funds (continued)

In the first half of 2017, the EBA Investments emphasised on further expanding its AUM and covering more industry chains and cities. Meanwhile, it paid even more attention on post-investment management, through continued efforts (upgrade, transform, develop, operate) on its holding property (including but not limited to commercial malls, office buildings, park properties, etc.), to enhance the rental income and effectively enhanced the value of the assets. As an asset manager, the EBA Investments exports its brand and charges management fees. As at June 2017, EBA managed 800,000 square meters of commercial property under its own brand, "IMIX", covering several tier-one and tier-two cities in China.

**Divestment:** CEL has benefited from unobstructed exit channels for its investments by taking an increasingly diversified approach to divestment. In addition to traditional IPOs (including listed on the New Third Board), the Group has successfully exited projects through M&A, equity transfer, stock repurchase and other means. As far as newly emerging exit options (e.g. through the asset securitisation market) are concerned, the team is working hard to stay ahead of the game and take hold of standard-setting rights and pricing power in related sectors.

New Energy Funds and Medical and Healthcare Fund contributed to the listing of Hengrun Heavy Industries on the Shanghai Stock Exchange in May 2017 and BGI Genomics on the Shenzhen Stock Exchange in July 2017. At the same time, the Group divested from several projects through M&A, bulk transactions and open market. In addition, the EBA Investments is striving to expand REITs business amid renewed efforts by the regulatory authorities to encourage REITs development, further demonstrating the all-round and multi-strategy strengths of EBA's comprehensive platform.

### 1. Fund Management Business (continued)

#### (2) Secondary Market

As at 30 June 2017, CEL Secondary Market managed a total of 16 funds and managed accounts, with AUM of HK\$12.4 billion, up 15% from last year. In addition, approximately HK\$2.4 billion in funds raised by Everbright Prestige are also managed by the Secondary Market Team as sub-advisor.

During the reporting period, Secondary Market Teams received numerous awards and recognition. In June 2017, Secondary Market Teams received three Overseas Golden Bull awards in Three-Year Overseas Golden Bull Private Manager (Fixed Income) category; One-Year Overseas Golden Bull Investment Manager (Long-Only Equity) category, awarded to Mr. Keith Wu; and One-Year Overseas Golden Bull Investment Manager (Fixed Income) category, which was awarded to both Mr. Will Chung and Mr. Girish Kumarguru. In addition, our flagship fixed income product, Everbright Dynamic Bond Fund was nominated by Investor Choice Award for “Best Emerging Market Credit Fund” earlier this Year. As flagship products continue to deliver outstanding performance, the Secondary Market business continues to grow in size.

As of June 30th, Everbright Dynamic Bond Fund delivered solid performance. Within the reporting period, the fund achieved +6.85% return, net of fees, for regular share class; +5.82% net return for preferred share class and +10.25% net return for subordinate share class. The team continues to fundraise externally. As of June 30th, 2017, the fund has grown to USD238 million, up 10.17% in assets under management as the Group’s largest open-end fund. In addition, Fixed Income Team continues to work with CALC and are in talk for developing new projects.

At the same time, our flagship equity product, Everbright China Focus Fund deliver +5.69% net return during the reporting period. Due to joint efforts from investment team and sales team, Secondary Market was able to raise RMB200 million in the first half of 2017 in Connect Scheme themed product, further increasing Secondary Market’s overall assets under management.

### 1. Fund Management Business (continued)

#### (3) Everbright Prestige

In the first half of 2017, the Mainland banking and insurance industries, bound by deleveraging policy, were subject to target-based supervision and investment restrictions. Meanwhile, Everbright Prestige rigorously implemented the net capital management measures imposed by the CSRC on asset management companies. These somewhat affected the funding sources of Everbright Prestige's quasi-trust and financial market businesses, and as a result, Everbright Prestige's business experienced a slow down. As at 30 June 2017, the scale of Everbright Prestige was downsized to RMB104.4 billion, representing a 12% decrease compared with the end of 2016. However, Everbright Prestige still recorded a growth in income and net profit. For the six months period ended 30 June 2017, it posted operating income of RMB146 million and after-tax profit of RMB56 million, presenting a year-on-year increase of 68% and 311% respectively.

Against the afore-mentioned backdrop of macro-environmental changes, and with bold understanding of regulatory direction, Everbright Prestige put asset allocation and service at the centre of its business operations. By further re-orienting its business focus and staffing structure, Everbright Prestige sought to cut back gradually on staff and resource investments in its financial market and channel businesses. At the same time, the company fully leveraged its product design and asset allocation capabilities to undertake more operational services contracts in support of its transformation.

During the reporting period, Everbright Prestige received recognition for its own business development, winning a string of accolades including China's Leading Asset Management Company 2017 and China's Wealth Management Firm Prime Leadership Award 2017.



### 1. Fund Management Business (continued)

#### (4) Multi-strategy Alternative Investment Fund (FoF Fund)

CEL's FoF Fund can help major institutional investors access different markets, cycles and industries and alleviate the impact of market volatilities on their investment portfolios. During the reporting period, CEL set up with China Merchants Bank a new FoF fund with an RMB5 billion investment — CEL-CMB Multi-strategy Equity Investment Fund. The new fund had already successfully made its first direct equity investment in a RMB500 million project in July, demonstrating once again CEL's capability to provide one-stop financial services for major institutions.

As at 30 June 2017, FoF Fund raised a cumulative total of HK\$11.4 billion, up 102% year on year. It completed investment in 4 projects, involving a total investment of RMB1.8 billion. CEL is continuing to explore cooperative opportunities with major domestic financial institutions.

## 2. Principal Investment Business

As at 30 June 2017, CEL's principal investment business was valued at HK\$22.7 billion. The Group posted a pre-tax profit of HK\$1,193 million, up 89% from the same period last year. Interest income reached HK\$102 million, up 28% year on year, while dividend income increased 26% to HK\$53 million. In respect of investment returns, CEL successfully exited several mature projects, realising a capital gain of HK\$1,111 million, up 531% from the same period last year.

Income of principal investment (classified by nature of income)	First half of 2017 (HK\$ million)	First half of 2016 (HK\$ million)	Change
Interest income	102	80	28%
Dividend income	53	42	26%
Realised gain/(loss)	1,111	176	531%
Unrealised gain/(loss)	(40)	340	N/A
Share of CALC's results as an associate	84	85	-1%

CEL's principal investment business has a presence in the following areas:

Category	Share
Structured finance	29%
Strategic industry investment	28%
Primary market investment	16%
Fund incubator	11%
Secondary market investment	9%
Investment in third-party funds	7%

### 2. **Principal Investment Business** (continued)

Capitalising on its cross-border platforms and the strength of its own capital resources, CEL is focused on four areas of capital deployment, giving the Group's business development strategy the competitive advantage of differentiation.

#### (I) **Fund incubator**

CEL is well placed as a fund incubator. By providing initial project reserves from its own capital, CEL is able to establish a fund's investment direction, giving confidence to external investors and laying the foundation for the Group to incubate a well-structured, reasonably priced fund product.

In July 2017, CEL injected its 100% equity interest in Tirana International Airport, a project financed with its own capital, into CEL Overseas Infrastructure Fund. It also helped the fund close its first round of financing for US\$300 million. At the same time, CEL continued to develop and expand Beijing Huichen Elderly Care's business operations while building project reserves for the upcoming Senior Healthcare Investment Fund.

#### (II) **Direct investing and co-investing**

CEL's exceptional financing capability and visionary investment philosophy provide the Group with the flexibility to pursue investment opportunities. In the event that a fund is subject to restrictions (such as limits on risk concentration, investment direction or financing rounds), the Group can utilise its own capital to invest or co-invest directly with a fund team to create synergy and capture investment opportunities of quality and scale.

During the reporting period, CEL, through its own investment, participated in IDG Capital's acquisition of International Data Group (IDG), demonstrating its strong capital operational capabilities and providing the opportunity to benefit from the project's future growth.

### 2. Principal Investment Business (continued)

#### (III) Long-term industry investment

CEL leverages its own capital to explore strategic industry investments that offer tremendous market potential and long-term growth prospects. By integrating investee businesses into its fund management operations, the Group can also generate stable returns on investment for the company and its shareholders.

At the end of reporting period, CEL remained the single largest shareholder and held a 33.6% equity interest in China Aircraft Leasing Group Holdings Limited ("CALC"), sharing in a HK\$84 million profit contribution. As part of this long-term incubation project, the Group was involved in the general offer by Aircraft Recycling International Limited ("ARI"), a member company of CALC, to acquire 100% of Universal Asset Management ("UAM"), a world-leading provider of global aviation solutions. The Group also supported CALC's multiple issues of senior unsecured bonds and helped it complete an agreement to purchase 50 new airplanes from the Boeing 737 MAX family. These efforts have contributed to CALC's ongoing transformation from a leading aircraft leasing company in China to an important participant in the global aviation industry value chain. In another development, CALC sold the finance lease receivables on 10 airplanes in the first half of 2017 as part of its recurrent business, optimising its equity and debt financing arrangements and benefiting from positive interaction with CEL's fixed income team.

#### (IV) Liquidity

CEL's own capital performs the function of balancing the company's liquidity with its overall income. The Group subjects itself to rigorous risk control and uses a variety of financial instruments to manage the long-, short- and medium-term allocations and industry concentrations of its capital and optimise cash flow.

### 3. Strategic Investment

#### (1) Everbright Securities

As at 30 June 2017, the Group held 1.14 billion shares of Everbright Securities Company Limited (“Everbright Securities”), which represents a 24.71% stake in the associated company relative to its book value of HK\$13.6 billion. At the same date, Everbright Securities had a market capitalisation of HK\$19.3 billion.

For the first half of 2017, Everbright Securities’ A-share brokerage business underperformed along with the overall industry as the share and fund transaction values recorded by the top 100 securities companies showed a general year-on-year decline. As a result, the Group’s share of Everbright Securities profit dropped 34% year on year to HK\$346 million.

#### (2) Everbright Bank

As at 30 June 2017, the Group held 1.57 billion shares of Everbright Bank Company Limited (“Everbright Bank”), representing a 3.37% stake with a fair value of HK\$7.2 billion. During the reporting period, Everbright Bank improved its tier-one capital adequacy ratio by reducing its dividend payout ratio from 30.16% to 15.56%. Dividends (after tax) received by the Group from Everbright Bank decreased 50% year on year to HK\$157 million.

## OUTLOOK

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In the second half of 2017, there will be general signs of growing optimism in the financial market. However, the presence of various “grey rhinos” – such as the impact on global liquidity of the Fed’s tapering move to raise interest rates, the European Central Bank’s probable announcement to cut back on its QE programme, the pressure faced by the Bank of Japan to tighten monetary policy, and the potential drag on asset prices caused by China’s monetary and credit tightening – merit our vigilance.

These macroeconomic uncertainties will continue to drive demand for asset management expertise and the trend toward differentiation that is already underway in the industry. Quality asset managers with proven track records and strong integrated capabilities stand to benefit from the growing opportunities accorded by these developments. As a leading asset management and investment company, CEL will focus on expanding the coverage of its fund products while striving to build a closed-loop ecosystem by developing its full-value-chain capabilities in sectors where it is committed to building a deep presence. At the same time, the Group will work to strengthen its platform, building an unsurpassed suite of core competences and growing its fund management business.

Finally but importantly, on the occasion of CEL’s 20th anniversary, we will continue to advance our proposition of “Global Vision, China Insight, Hong Kong Base” to generate sustainable growth for our shareholders and investors.

### **Contingent Liabilities**

As at 30 June 2017, the Company had issued financial guarantees to subsidiaries. The Board does not consider it is probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 30 June 2017 for the provision of the guarantees related to the facilities drawn down by the subsidiaries was HK\$6,307 million.

## DISCLOSURE OF INTERESTS

### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2017, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares of equity derivatives and debentures of the Company or its associated corporations (as defined by Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register of directors' and chief executives' interests and short positions required to be maintained under section 352 of the SFO are as follows:

#### 1a. Long position in shares of the Company:

Name of directors	Total	Personal interest	Family interest	Corporate interest	% of total issued shares
Tang Chi Chun, Richard	719,000	719,000	–	–	0.04%
Chung Shui Ming, Timpson	50,000	50,000	–	–	0.00%
Yin Lianchen	26,000	26,000	–	–	0.00%

#### 1b. Long position in shares of an associated corporation of the Company, namely China Everbright International Limited:

Name of director	Total	Personal interest	Family interest	Corporate interest	% of total issued shares
Chen Shuang	480,000	480,000	–	–	0.01%
Yin Lianchen	160,000	160,000	–	–	0.00%

## DISCLOSURE OF INTERESTS

### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

#### 1c. Long position in shares of an associated corporation of the Company, namely China Aircraft Leasing Group Holdings Limited ("CALC"):

Name of director	Total	Personal interest	Family interest	Corporate interest	% of total issued shares
Chen Shuang	200,000	200,000	-	-	0.03%

#### 1d. Long position in shares of an associated corporation of the Company, namely China Everbright Greentech Limited:

Name of director	Total	Personal interest	Family interest	Corporate interest	% of total issued shares
Chen Shuang	50,000	50,000	-	-	0.00%

#### 2. Long position in underlying shares of equity derivatives of the Company: Nil

#### 3. Long position in underlying shares of equity derivatives of associated corporations of the Company, namely CALC:

Name of directors	Capacity/nature of interest	Number of underlying shares held	Approximately % of issued shares
Chen Shuang	beneficial owner	10,200,000 (Note)	1.51%
Tang Chi Chun, Richard	beneficial owner	200,000 (Note)	0.03%

Note: These interests represented the interests in underlying shares in respect of the share options granted by CALC to its directors of CALC pursuant to its Post-IPO Share Option Scheme.



## DISCLOSURE OF INTERESTS

### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

Save as disclosed herein, as at 30 June 2017, none of the directors and chief executives of the Company had interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporation defined under the SFO as recorded in the register of directors' and chief executives' interests and short positions.

### Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the 6 months ended 30 June 2017 was the Company or any of its subsidiaries, holding companies or fellow subsidiaries, a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Substantial Shareholders

According to the register kept under section 336 of the SFO, the Company has been notified of the following interests in the Company's issued shares at 30 June 2017 amounting to 5% or more of the ordinary shares in issue:

#### Long Position

Name of shareholders	No. of shares beneficially held	% of total issued shares
Central Huijin Investment Limited ("Huijin Limited") (Note (1))	838,306,207	49.74%
China Everbright Group Ltd. ("China Everbright Group") (Note (2))	838,306,207	49.74%

Notes:

- (1) Huijin Limited's principal shareholder rights are exercised by the State Council of the People's Republic of China. Huijin Limited holds 55.67% equity interest of China Everbright Group.
- (2) China Everbright Group holds 100% of the issued shares of China Everbright Holdings Co. Ltd. ("CE Hong Kong"). CE Hong Kong holds (1) 100% of the issued shares of Datten Investments Limited ("Datten") which in turn holds 100% of the issued shares of Honorich Holdings Limited ("Honorich") and (2) 100% of the issued shares of Everbright Investment and Management Limited ("EIM"), respectively. Out of the 838,306,207 ordinary shares, 832,273,207 ordinary shares are held by Honorich. The remaining 6,033,000 ordinary shares are held by EIM. Accordingly, China Everbright Group is deemed to be interested in 832,273,207 ordinary shares held by Honorich and 6,033,000 ordinary shares held by EIM.

## DISCLOSURE OF INTERESTS

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### **Substantial Shareholders** (continued)

Save as disclosed above, as at 30 June 2017, the Company had not been notified of any other interest by prescribed notice which were recorded in the register required to be kept under section 336 of the SFO.

### **Employees**

As at 30 June 2017, the Group had 294 employees. Total staff costs for the period under review amounted to approximately HK\$191 million as noted in the condensed consolidated statement of profit or loss. The Group ensures that the remuneration packages for employees are fair and competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Discretionary year end bonus may also be paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme and training programmes.

## CORPORATE GOVERNANCE

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### Corporate Governance Code

The Company has complied with the Corporate Governance Code (“CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the six months ended 30 June 2017 except that a non-executive director of the Company was not appointed for a specific term. This constitutes a deviation from the code provision A.4.1 of the CG Code which requires that all the non-executive directors should be appointed for a specific term. The Board believes that the current arrangement will enable the Company to have a greater flexibility to organize the composition of the Board to serve the needs of the Group. Pursuant to the Company’s articles of association, at every annual general meeting, one-third of the directors for the time being (or if their number is not a multiple of three, then the nearest number to but not less than one-third of the directors) shall retire from office by rotation, provided that every director (including those appointed for a specific term) shall retire from office by rotation at least once every three years.

### Model Code for Securities Transaction by Directors

The Company has adopted a “Code for Securities Transactions by Directors & Relevant Employees” (the “Code”) which is no less exacting than the required standard set out in the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) contained in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the directors confirmed that they have complied with the required standard set out in both the Code and the Model Code for the six months ended 30 June 2017.

## CORPORATE GOVERNANCE

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### **Audit and Risk Management Committee**

During the period, the Audit and Risk Management Committee comprised Dr. Chung Shui Ming, Timpson, Mr. Seto Gin Chung, John and Dr. Lin Zhijun. The Committee was chaired by Dr. Chung Shui Ming, Timpson. All members of the Committee are independent non-executive directors.

The Audit and Risk Management Committee and the management have reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters, including the review of the unaudited interim financial report of the Group for the six months ended 30 June 2017.

### **Remuneration Committee**

During the period, the Remuneration Committee had four members comprising Dr. Cai Yunge, Chairman of the Board, and three independent non-executive directors, namely, Mr. Seto Gin Chung, John, Dr. Lin Zhijun and Dr. Chung Shui Ming, Timpson. The Committee was chaired by Mr. Seto Gin Chung, John, an independent non-executive director.

### **Nomination Committee**

During the period, the Nomination Committee had four members comprising Dr. Cai Yunge, Chairman of the Board, and three independent non-executive directors, namely, Dr. Lin Zhijun, Mr. Seto Gin Chung, John and Dr. Chung Shui Ming, Timpson. The Committee was chaired by Dr. Lin Zhijun, an independent non-executive director.

### **Loan Facilities with Covenants Relating to Specific Performance of the Controlling Shareholder**

On 12 June 2015, the Company entered into a facility letter pursuant to which an independent third party bank agreed to grant a revolving and term loan of up to HK\$1 billion (or its equivalent in the United States dollars or Renminbi) for a period of 3 years from the signing date of the said facility letter. Under the said facility letter, it will be an event of default if China Everbright Holdings Company Limited (“CEHCL”) ceases to be the single largest shareholder of the Company. Upon the occurrence of the above event, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 4 December 2015, a wholly owned subsidiary of the Company as borrower, the Company as guarantor entered into a facility agreement with an independent third party bank as lender for an uncommitted term loan of up to HK\$1 billion (or its equivalent in the United States dollars) for a period of 36 months from the date of the said facility agreement. Under the said facility agreement, it will be an event of default if CEHCL (i) ceases to beneficially own at least 45% of the total issued share capital of the Company or (ii) ceases to be the single largest shareholder or maintain management control of the Company or (iii) ceases to be beneficially wholly-owned, directly or indirectly, by a state body of the People’s Republic of China. Upon the occurrence of any of the above events, the facilities under the said facility agreement together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 18 December 2015, the Company as borrower entered into a facility letter with an independent third party bank as lender for an uncommitted revolving loan facility of up to US\$300 million (or in equivalent Hong Kong dollars or Renminbi) for a period of 2 years from the date of acceptance of the said facility letter. Under the said facility letter, it will be an event of default if CEHCL ceases to be the single largest shareholder of the Company. Upon the occurrence of the above event, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

## OTHER INFORMATION

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### **Loan Facilities with Covenants Relating to Specific Performance of the Controlling Shareholder** (continued)

On 18 December 2015, a wholly owned subsidiary of the Company as borrower, the Company as guarantor entered into a facility agreement with a syndicate of banks for a term loan of up to US\$200 million (or its equivalent in Hong Kong dollars or Renminbi) for a period of 36 months from the date of the said facility agreement. Under the said facility agreement, it will be an event of default if CEHCL ceases to maintain its stance as the single largest shareholder to exercise management control in the Company. Upon the occurrence of the above event, the facilities under the said facility agreement together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 15 July 2016, a wholly owned subsidiary of the Company as borrower, the Company as guarantor entered into a facility letter with an independent third party bank as lender for a term loan of up to US\$150 million (or in equivalent Hong Kong dollars or Renminbi) for a period of 5 years from the signing date of the said facility letter. Under the said facility letter, it will be an event of default if CEHCL ceases to be the single largest shareholder of the Company or ceases to maintain management control of the Company. Upon the occurrence of any of the above events, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 22 July 2016, a wholly owned subsidiary of the Company as borrower, the Company as guarantor entered into a facility letter with an independent third party bank as lender for a term loan of up to US\$100 million (or in equivalent Hong Kong dollars or Renminbi) for a period of 36 months from the signing date of the said facility letter. Under the said facility letter, it will be an event of default if CEHCL ceases to be the single largest shareholder of the Company or ceases to maintain management control of the Company. Upon the occurrence of any of the above events, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

### **Loan Facilities with Covenants Relating to Specific Performance of the Controlling Shareholder** (continued)

On 28 July 2016, the Company as borrower entered into a facility agreement with an independent third party bank as lender for a term loan facility of up to US\$200 million (or in equivalent Hong Kong dollars or Renminbi). The facilities under the said facility agreement shall be for a period of 60 months from the date of the said facility agreement if denominated in United States dollars or Hong Kong dollars and for a period of 36 months from the date of the said facility agreement if denominated in Renminbi. Under the said facility agreement, it will be an event of default if CEHCL (i) ceases to beneficially own at least 45% of the total issued share capital of the Company or (ii) ceases to be the single largest shareholder or maintain management control of the Company or (iii) ceases to be beneficially wholly owned, directly or indirectly, by a state body in the People's Republic of China. Upon the occurrence of any of the above events, the facilities under the said facility agreement together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 10 February 2017, a wholly owned subsidiary of the Company as borrower, the Company as guarantor entered into a facility agreement with an independent third party bank as lender for a term loan of up to HK\$1.5 billion (or in equivalent United States dollars or Renminbi) for a period of 36 months from the date of the said facility agreement. Under the said facility agreement, it will be an event of default if CEHCL (i) ceases to beneficially own at least 45% of the total issued share capital of the Company or (ii) ceases to be the single largest shareholder or maintain management control of the Company or (iii) ceases to be beneficially wholly-owned, directly or indirectly, by a state body of the People's Republic of China. Upon the occurrence of any of the above events, the facilities under the said facility agreement together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

## OTHER INFORMATION

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### **Loan Facilities with Covenants Relating to Specific Performance of the Controlling Shareholder** (continued)

On 16 March 2017, a wholly owned subsidiary of the Company as borrower, the Company as guarantor entered into a facility letter with an independent third party bank as lender for (i) a term loan of up to US\$100 million (or in equivalent Hong Kong dollars or Renminbi) for a period of 36 months from the signing date of the said facility letter; (ii) a term loan of up to US\$300 million (or in equivalent Hong Kong dollars or Renminbi) for a period of 60 months from the signing date of the said facility letter; and (iii) a revolving loan and/or standby letters of credit of up to US\$150 million (or in equivalent Hong Kong dollars or Renminbi) being subject to annual review by such lender. Under the said facility letter, it will be an event of default if CEHCL (i) ceases to be the single largest shareholder of the Company or ceases to maintain management control of the Company; or (ii) ceases to be beneficially wholly-owned, directly or indirectly, by a state body of the People's Republic of China. Upon the occurrence of any of the above events, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 13 April 2017, the Company entered into a facility letter pursuant to which an independent third party bank has agreed to grant a revolving and term loan of up to HK\$1.5 billion (or its equivalent in the United States dollars or Renminbi) for a period of 3 years from the signing date of the said facility letter. Under the said facility letter, it will be an event of default if CEHCL ceases to be the single largest shareholder of the Company. Upon the occurrence of the above event, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

As at 30 June 2017, the circumstances giving rise to the obligations under Rules 13.18 of the Listing Rules continued to exist.



### **Changes of Directors' Information under Rule 13.51B(1) of the Listing Rules**

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of directors' information of the Company since the date of 2016 annual report are as follows:

Dr. Cai Yunge, the Chairman of the Company, was appointed as a Non-executive director of China Everbright Bank Company Limited (Stock Code: HK6818, SH601818) on 9 May 2017.

Mr. Chen Shuang, the Chief Executive Officer of the Company, was appointed as a Director of Shanghai Jiabao Industry & Commerce (Group) Co., Ltd. ("Jiabao Group") (stock code: SH600622) on 6 May 2016 and was elected as the Chairman of the Board of Jiabao Group on 12 May 2017.

Dr. Lin Zhijun, the Independent Non-executive director of the Company, was appointed as a Director of BOCOM International Holdings Limited ("BOCOM International"). Dr. Lin Zhijun was re-designated as an Independent Non-executive director of BOCOM International (stock code: HK3329) after its listing on The Stock Exchange of Hong Kong Limited on 19 May 2017.

Dr. Chung Shui Ming, Timpson, the Independent Non-executive director of the Company, was appointed as an Independent Non-executive director of China Railway Group Limited (stock code: HK390) with effect from 28 June 2017.

Save as disclosed above, the Company is not aware of other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### **Interim Dividend**

The Board declared the payment of an interim dividend of HK\$0.25 per share for the six months ended 30 June 2017 (2016: HK\$0.25 per share) to those shareholders whose names appear on the register of members of the Company on 29 September 2017. Dividend cheques will be dispatched to shareholders of the Company on 13 October 2017.

## OTHER INFORMATION

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### Closure of Register of Members

The register of members of the Company will be closed from 27 September 2017 to 29 September 2017 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 26 September 2017.

### Purchase, Sale or Redemption of the Company's Listed Securities

There was no purchase, sale or redemption of the listed securities of the Company by the Company or any of its subsidiaries during the period.

By order of the Board

**China Everbright Limited**

**Chen Shuang**

*Chief Executive Officer*

Hong Kong, 30 August 2017