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Interim Report 2018

Stock Code : 165



## CORPORATE INFORMATION

### Board of Directors

Cai Yunge (Chairman)  
Chen Shuang (Chief Executive Officer)  
Tang Chi Chun, Richard  
(Chief Financial Officer)  
Zhang Mingao (Chief Investment Officer)  
Yin Lianchen (Chief Investment Officer)  
Tang Shuangning# (Note 1)  
Seto Gin Chung John\* (Note 2)  
Lin Zhijun\*  
Chung Shui Ming, Timpson\*  
Law Cheuk Kin, Stephen\* (Note 3)

# Non-executive Director

\* Independent Non-executive Directors

Note 1: Resigned as Non-executive Director with effect from 16 March 2018

Note 2: Resigned as Independent Non-executive Director with effect from 17 May 2018

Note 3: Appointed as Independent Non-executive Director with effect from 17 May 2018

### 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  
Industrial and Commercial Bank of  
China (Asia) Limited  
China Construction Bank Corporation  
Agricultural Bank of China Limited  
Bank of Communications Company,  
Limited  
Shanghai Pudong Development  
Bank Company, Limited  
DBS Bank Ltd., Hong Kong Branch

### Legal Advisors

Grandall Legal Group (Shanghai) Office

### Share Registrar

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

### Auditors

Ernst & Young

### Website Address

<http://www.everbright.com>

### Investor Relations Contact

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

**Stock Code:** 165

## INTERIM RESULTS

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 2018. 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 61 to 62. 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 2018

	Notes	1 January to 30 June 2018 HK\$'000	1 January to 30 June 2017 HK\$'000
Continuing operations			
Turnover	3	6,094,067	3,933,175
Operating income	3	1,138,790	880,853
Other net income	3	1,531,477	1,108,425
Staff costs		(254,139)	(190,858)
Depreciation and amortisation expenses		(10,020)	(9,656)
Impairment loss on available-for-sale securities		–	(43,187)
Other operating expenses		(175,120)	(175,597)
Profit from operations		2,230,988	1,569,980
Finance costs		(468,892)	(338,562)
Share of profits less losses of associates	9	407,719	505,794
Share of profits less losses of joint ventures	10	101,390	30,652
Profit before taxation		2,271,205	1,767,864
Income tax	4	(232,523)	(191,981)
Profit from continuing operations		2,038,682	1,575,883
Discontinued operations			
Profit from disposal group held for sale	5	6,775	11,249
<b>Profit for the period</b>		<b>2,045,457</b>	<b>1,587,132</b>

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Note	1 January to 30 June 2018 HK\$'000	1 January to 30 June 2017 HK\$'000
<b>Profit attributable to equity shareholders of the Company</b>			
Continuing operations		1,932,725	1,463,883
Discontinued operations		6,775	26,265
		<b>1,939,500</b>	1,490,148
<b>Non-controlling interests</b>		<b>105,957</b>	96,984
<b>Profit for the period</b>		<b>2,045,457</b>	1,587,132
<b>Basic and diluted earnings per share</b>	8		
Continuing operations		<b>HK\$1.147</b>	HK\$0.869
Discontinued operations		<b>HK\$0.004</b>	HK\$0.015
		<b>HK\$1.151</b>	HK\$0.884

The notes on pages 11 to 60 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 2018

Note	<b>1 January to 30 June 2018 HK\$'000</b>	1 January to 30 June 2017 HK\$'000
	<b>2,045,457</b>	1,587,132
<b>Profit for the period</b>		
<b>Other comprehensive income for the period:</b>		
Items that will not be reclassified subsequently to profit or loss		
– Net movement in investment revaluation reserve of financial assets at fair value through other comprehensive income	7 <b>(663,448)</b>	–
Items that may be reclassified subsequently to profit or loss		
– Net movement in investment revaluation reserve of available-for-sale securities	7 –	(764,549)
– Share of other comprehensive income of associates	<b>(12,961)</b>	107,857
– Share of other comprehensive income of joint ventures	–	(29,245)
– Exchange reserve	<b>5,237</b>	568,887
	<b>(671,172)</b>	(117,050)
<b>Total comprehensive income for the period</b>	<b>1,374,285</b>	1,470,082
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>1,275,491</b>	1,402,974
Non-controlling interests	<b>98,794</b>	67,108
<b>Total comprehensive income for the period</b>	<b>1,374,285</b>	1,470,082

The notes on pages 11 to 60 form part of this interim financial report.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 HK\$'000	31 December 2017 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		464,513	465,379
Investment properties		28,500	45,600
Amounts due from investee companies	13	234,683	187,276
Investments in associates	9(a)	18,559,857	19,753,254
Investments in joint ventures	10(a)	1,216,115	916,208
Available-for-sale securities	11	–	12,196,855
Financial assets at fair value through other comprehensive income	12	6,849,030	–
Financial assets designated at fair value through profit or loss	13	36,675,970	24,705,555
Advances to customers	14	132,129	–
Other assets		768,808	678,586
		<b>64,929,605</b>	58,948,713
<b>Current assets</b>			
Advances to customers	14	2,220,726	4,350,612
Finance lease receivables		–	21,374
Debtors, deposits and prepayments	15	1,993,447	1,393,768
Trading securities	16	1,098,625	2,116,500
Cash and cash equivalents		4,633,349	5,178,356
		<b>9,946,147</b>	13,060,610
Assets classified as held for sale	5	993,869	908,948
		<b>10,940,016</b>	13,969,558



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 HK\$'000	31 December 2017 HK\$'000
<b>Current liabilities</b>			
Trading securities	16	(178,950)	(130,581)
Bank loans	17	(4,185,159)	(2,611,257)
Creditors, deposits received and accrued charges	18	(1,831,850)	(2,208,123)
Other financial liabilities	20	(231,302)	(266,930)
Notes payable		(57,000)	(57,000)
Provision for taxation		(454,841)	(667,116)
		<b>(6,939,102)</b>	(5,941,007)
Liabilities classified as held for sale	5	-	(426,502)
		<b>(6,939,102)</b>	(6,367,509)
<b>Net current assets</b>		<b>4,000,914</b>	7,602,049
<b>Total assets less current liabilities</b>		<b>68,930,519</b>	66,550,762
<b>Non-current liabilities</b>			
Bank loans	17	(11,509,501)	(9,374,977)
Other financial liabilities	20	(1,102,499)	(1,262,866)
Bond payable	19	(12,493,425)	(12,414,675)
Deferred tax liabilities		(1,291,865)	(1,153,249)
		<b>(26,397,290)</b>	(24,205,767)
<b>NET ASSETS</b>		<b>42,533,229</b>	42,344,995

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
<b>CAPITAL AND RESERVES</b>			
Share capital	22	<b>9,618,097</b>	9,618,097
Reserves		<b>31,291,455</b>	31,052,314
<b>Total equity attributable to equity shareholders of the Company</b>		<b>40,909,552</b>	40,670,411
Non-controlling interests		<b>1,623,677</b>	1,674,584
<b>TOTAL EQUITY</b>		<b>42,533,229</b>	42,344,995

The notes on pages 11 to 60 form part of this interim financial report.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

Notes	Attributable to equity shareholders of the Company									
	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 31 December 2017	9,618,097	1,242	7,249,553	(668,499)	(490,190)	1,099,293	23,860,915	40,670,411	1,674,584	42,344,995
Impact on transition to HKFRS 9	2	-	-	(1,144,264)	-	-	-	1,144,264	-	-
As at 1 January 2018	9,618,097	1,242	6,105,289	(668,499)	(490,190)	1,099,293	25,005,179	40,670,411	1,674,584	42,344,995
Net investment by non-controlling shareholders	-	-	-	-	-	-	-	-	(106,565)	(106,565)
Dividend paid	6(b)	-	-	-	-	-	(1,011,152)	(1,011,152)	-	(1,011,152)
Transaction between non-controlling shareholders	-	-	-	-	(20,252)	-	-	(20,252)	(43,136)	(63,388)
Share of capital reserve of an associate	-	-	-	-	(4,946)	-	-	(4,946)	-	(4,946)
Profit for the period	-	-	-	-	-	-	1,939,500	1,939,500	105,957	2,045,457
Other comprehensive income for the period	-	-	(663,448)	-	-	(561)	-	(664,009)	(7,163)	(671,172)
As at 30 June 2018	9,618,097	1,242	5,441,841	(668,499)	(515,388)	1,098,732	25,933,527	40,909,552	1,623,677	42,533,229
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)	(298,776)	(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

The notes on pages 11 to 60 form part of this interim financial report.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	<b>1 January to 30 June 2018 HK\$'000</b>	1 January to 30 June 2017 HK\$'000
<b>Operating activities</b>		
Cash generated from operations	<b>1,544,658</b>	1,011,497
Tax paid	<b>(306,918)</b>	(739,371)
<b>Net cash generated from operating activities</b>	<b>1,237,740</b>	272,126
<b>Investing activities</b>		
Purchase of available-for-sale securities	–	(20,813)
Proceeds from disposal of available-for-sale securities	–	1,546,277
Purchase of financial assets designated at fair value through profit or loss	<b>(7,653,458)</b>	(6,501,295)
Proceeds from disposal of financial assets designated at fair value through profit or loss	<b>2,988,640</b>	1,875,275
Decrease in other financial liabilities	<b>(283,291)</b>	(66,253)
Investment in an associate and a joint venture	<b>(203,383)</b>	(915,468)
Proceeds from disposal of an associate	<b>1,230,400</b>	–
Purchase of a disposal group held for sale	<b>(993,869)</b>	–
Other cash flows arising from investing activities	<b>554,970</b>	659,986
<b>Net cash used in investing activities</b>	<b>(4,359,991)</b>	(3,422,291)
<b>Financing activities</b>		
Net proceeds from bank loans	<b>3,660,641</b>	1,326,071
Dividend paid	<b>(1,011,152)</b>	(842,627)
Dividend paid to non-controlling shareholders	<b>(94,271)</b>	(701,268)
Other cash flows arising from financing activities	<b>51,622</b>	(765)
<b>Net cash generated from/(used in) financing activities</b>	<b>2,606,840</b>	(218,589)
<b>Net decrease in cash and cash equivalents</b>	<b>(515,411)</b>	(3,368,754)
<b>Cash and cash equivalents</b>		
Beginning of the period	<b>5,178,356</b>	5,959,534
Exchange rate adjustments	<b>(29,596)</b>	(20,631)
End of the period	<b>4,633,349</b>	2,570,149

## NOTES TO THE FINANCIAL REPORT

### 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 2018.

The financial information relating to the year ended 31 December 2017 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 2017 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 2017 annual financial statements, except for those described in note 2.

## NOTES TO THE FINANCIAL REPORT

### 2. Changes in Accounting Policies and Disclosures

The Group has adopted the following revised HKFRSs for the first time for the current period's financial statements.

HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from contracts with customers</i>
<i>Annual improvements 2014-2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i>

Other than as explained below regarding the impact of new and revised HKFRSs, the amendments and interpretations have not had any significant impact on the Group's financial statements.

The adoption of HKFRS 9 has resulted in changes in the accounting policies for classification and measurement of financial assets and financial liabilities and impairment of financial assets. The Group adopted HKFRS 9 from 1 January 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application. As permitted by HKFRS 9, the Group has not restated comparatives. The details of the significant accounting policies adopted for financial assets and liabilities for the year ended 31 December 2017 is presented in the Group's Annual Report 2017.

The Group has adopted HKFRS 7 *Financial Instruments: Disclosures* together with HKFRS 9. Changes include transition disclosures as shown below.

Set out below are disclosures relating to the impact of the adoption of HKFRS 9 on the Group.

## NOTES TO THE FINANCIAL REPORT

### **2. Changes in Accounting Policies and Disclosures** (continued)

#### **Classification and reconciliation of measurement of financial instruments from HKAS 39 to HKFRS 9**

Financial assets are required to be classified into one of the following measurement categories: (i) measured subsequently at amortised cost, (ii) measured subsequently at fair value through other comprehensive income (all fair value changes other than interest accrual, amortisation and impairment will be recognised in other comprehensive income) or (iii) measured subsequently at fair value through profit or loss. Classification is to be made on transition, and subsequently on initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments, or the election of fair value option.

A financial instrument is subsequently measured at amortised cost only if it is a debt instrument, and the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows characteristics represent only unleveraged payments of principal and interest. A debt instrument is subsequently measured at fair value through other comprehensive income if it is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the instrument fulfils the contractual cash flows characteristics. All other debt instruments are to be measured at fair value through profit or loss.

## NOTES TO THE FINANCIAL REPORT

### **2. Changes in Accounting Policies and Disclosures (continued)**

#### **Classification and reconciliation of measurement of financial instruments from HKAS 39 to HKFRS 9 (continued)**

Equity instruments are generally measured subsequently at fair value with limited circumstances that cost may be an appropriate estimate of fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition to recognise unrealised and realised fair value gains and losses in other comprehensive income without subsequent reclassification of fair value gains and losses to the statement of profit or loss even upon disposal. Dividend income is recognised in the statement of profit or loss when the right to receive payment is established.

The classification and measurement requirements of financial liabilities have been basically carried forward with minimal amendments from HKAS 39.

The accounting for fair value option of financial liabilities were changed to address own credit risk. The amount of change in fair value attributable to changes in the credit risk of the financial liabilities is presented in other comprehensive income. The remaining amount of the total gain or loss is included in the statement of profit or loss. If this creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change would be presented in the statement of profit or loss. The determination of whether there will be a mismatch will need to be made at initial recognition of individual financial liabilities and will not be re-assessed. Amounts presented in other comprehensive income are not subsequently reclassified to the statement of profit or loss but may be transferred within equity. This removes the volatility in profit or loss that was caused by changes in the credit risk of financial liabilities elected to be measured at fair value. It also means that gains caused by the deterioration of an entity's own credit risk on such liabilities will no longer be recognised in profit or loss. No accumulated fair value change in own credit risk is reclassified from retained earnings to other comprehensive income upon transition.

The standard also eliminates the exception from fair value measurement contained in HKAS 39 for derivative financial instruments that are linked to and must be settled by delivery of an unquoted equity instrument.



## NOTES TO THE FINANCIAL REPORT

## 2. Changes in Accounting Policies and Disclosures (continued)

### Classification and reconciliation of measurement of financial instruments from HKAS 39 to HKFRS 9 (continued)

The measurement category and the reconciliation of carrying amount of financial assets in accordance with HKAS 39 and HKFRS 9 at 1 January 2018 are compared as follows:

Financial assets	Original classification category under HKAS 39	New classification category under HKFRS 9	Original carrying amount under HKAS 39 HK\$'000	New carrying amount under HKFRS 9 HK\$'000
Advances to customers	Amortised cost (Loans and receivables)	Amortised cost	4,350,612	4,350,612
Financial assets at fair value through other comprehensive income	Available-for-sale financial assets	Fair value	7,512,478	7,512,478
Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Fair value	4,684,377	4,684,377

The standard introduces a new, forward-looking “expected-loss” impairment model that will require more timely recognition of expected credit losses. The impairment for financial instruments that are subsequently measured at amortised cost will be governed by this standard. Specifically, it requires entities to assess credit risk and estimate expected credit loss (“ECL”) with an unbiased and probability-weighted approach. Not only information about past events, but all available information including current conditions and forecast of future economic conditions shall be considered with discounting for time value of money.

## NOTES TO THE FINANCIAL REPORT

### **2. Changes in Accounting Policies and Disclosures (continued)** **Classification and reconciliation of measurement of financial instruments from HKAS 39 to HKFRS 9 (continued)**

The standard requires the Group to record ECL on all of its assets measured at amortised cost, either on a 12-month or lifetime basis. The Group has applied the simplified approach and record lifetime expected losses on trade receivables.

For financial assets subject to ECL impairment, the carrying amounts in accordance with HKAS 39 has been remeasured upon transition to HKFRS 9 on 1 January 2018. The Group has assessed that the changes in loss allowance is not significant to the Group's financial statements.

The carrying amount of amortised cost instruments continued to approximate these instruments' fair values on the date of transition to HKFRS 9.

## NOTES TO THE FINANCIAL REPORT

### **2. Changes in Accounting Policies and Disclosures (continued)**

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard superseded all previous revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The standard does not have a significant impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 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:

	<b>1 January to 30 June 2018 HK\$'000</b>	1 January to 30 June 2017 HK\$'000
<b>Operating income</b>		
Consultancy and management fee income	<b>269,616</b>	107,381
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	<b>16,129</b>	41,002
– advances to customers	<b>206,440</b>	105,360
– unlisted debt securities	<b>16,666</b>	17,549
Dividend income		
– listed investments	<b>354,219</b>	187,852
– unlisted investments	<b>352,240</b>	311,315
Net realised gain/(loss) on trading securities		
– equity securities	<b>17,484</b>	37,756
– debt securities	<b>4,525</b>	6,279
– derivatives	<b>14,298</b>	(49)
Net unrealised gain/(loss) on trading securities		
– equity securities	<b>(68,337)</b>	53,997
– debt securities	<b>(34,143)</b>	9,250
– derivatives	<b>(11,620)</b>	71
Rental income from investment properties	<b>1,007</b>	1,523
Rental income from finance lease	<b>266</b>	1,567
	<b>1,138,790</b>	880,853

## NOTES TO THE FINANCIAL REPORT

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

	<b>1 January to 30 June 2018 HK\$'000</b>	1 January to 30 June 2017 HK\$'000
<b>Other net income</b>		
Net realised gain on disposal of available-for-sale securities	–	1,128,760
Net realised gain on disposal of financial assets designated at fair value through profit or loss	<b>642,228</b>	87,253
Net realised loss on discharge of financial liability designated at fair value through profit or loss	–	(202,996)
Changes in unrealised profit or loss on financial assets designated at fair value through profit or loss	<b>823,135</b>	83,262
Reversal of impairment loss on debtors, deposits and prepayments	<b>3,670</b>	5,657
Reversal of impairment loss on an amount due from an investee company	–	7,382
Realised gain on disposal of an associate	<b>88,631</b>	–
Gain on disposal of property, plant and equipment	<b>220</b>	–
Gain on disposal of investment properties	<b>600</b>	–
Net exchange loss	<b>(56,446)</b>	(13,343)
Others	<b>29,439</b>	12,450
	<b>1,531,477</b>	1,108,425

## NOTES TO THE FINANCIAL REPORT

**4. Income Tax**

The provision for Hong Kong profits tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the six months ended 30 June 2018. 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:

	<b>1 January to 30 June 2018 HK\$'000</b>	1 January to 30 June 2017 HK\$'000
<b>Continuing operations</b>		
Current taxation		
– Hong Kong profits tax	–	(1,014)
– Overseas taxation	<b>(99,670)</b>	(143,059)
– Over provision in prior years	<b>1,170</b>	4,047
Deferred taxation		
– Deferred taxation relating to the reversal and origination of temporary differences	<b>(134,023)</b>	(51,955)
Income tax	<b>(232,523)</b>	(191,981)

## NOTES TO THE FINANCIAL REPORT

### 5. Discontinued Operations

The Group acquired 100% equity interest in Tirana International Airport SHPK ("Tirana Airport") on 6 October 2016 and the investment was injected into Everbright Overseas Infrastructure Investment Fund LP, a subsidiary, on 14 July 2017. Tirana Airport is the only officially operated civil international airport in Albania.

As at 31 December 2017, the Group classified equity interest in Tirana Airport and the Everbright Overseas Infrastructure Investment Fund LP as disposal group held for sale, with a view to hold them for resale within one year. On 20 March 2018, due to change in governing structure in Everbright Overseas Infrastructure Investment Fund LP, the Group deconsolidated its interest in Everbright Overseas Infrastructure Investment Fund LP from the Group and reclassified the investment as a financial asset designated at fair value through profit or loss.

On 5 May 2018, the Group acquired 22.4% equity interest in a listed company with a view to hold it for resale within one year. The aforesaid investee is a developer, manufacturer and marketer of medical devices. The carrying amount of the equity interest is HK\$993,869,000.

As at 30 June 2018, the Group classified the above investment as disposal group held for sale. The above equity interest meets 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*. The equity interest was exempted for using equity method. It was measured at the lower of carrying amount and fair value less costs to sell.

## NOTES TO THE FINANCIAL REPORT

**6. Dividends****(a) Dividends payable to equity shareholders of the Company attributable to the period**

	<b>1 January to 30 June 2018 HK\$'000</b>	1 January to 30 June 2017 HK\$'000
– Interim dividend declared after the end of the reporting period of HK\$0.26 (2017: HK\$0.25) per share	<b>438,166</b>	421,313

Subsequent to the period end, the Board of Directors declared an interim dividend of HK\$0.26 per share (2017: HK\$0.25 per share) for the six months period ended 30 June 2018. 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**

	<b>1 January to 30 June 2018 HK\$'000</b>	1 January to 30 June 2017 HK\$'000
– Final dividend in respect of the previous financial year, approved and paid during the period of HK\$0.6 (2017: HK\$0.5) per share	<b>1,011,152</b>	842,627



## NOTES TO THE FINANCIAL REPORT

**7. Other Comprehensive Income**

	<b>1 January to 30 June 2018 HK\$'000</b>	1 January to 30 June 2017 HK\$'000
Financial assets at fair value through other comprehensive income:		
Changes in fair value recognised during the period	<b>(663,448)</b>	–
Available-for-sale securities:		
Changes in fair value recognised during the period	–	321,024
Reclassification adjustments for amounts transferred to profit or loss:		
– gain on disposal	–	(1,128,760)
– impairment loss	–	43,187
Net movement in investment revaluation reserve during the period recognised in other comprehensive income	<b>(663,448)</b>	(764,549)

**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 2018 is based on the profit attributable to equity shareholders of the Company for continuing and discontinued operations of HK\$1,932,725,000 and HK\$6,775,000 respectively (six months ended 30 June 2017: for continuing operations and discontinued operations of HK\$1,463,883,000 and HK\$26,265,000 respectively) and the weighted average number of 1,685,253,712 shares (six months ended 30 June 2017: 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 2018 HK\$'000</b>	31 December 2017 HK\$'000
Carrying value, net	<b>18,559,857</b>	19,753,254

The above balance includes amount due from an associate of HK\$1,000,000,000 (31 December 2017: HK\$1,000,000,000).

**(b) As at 30 June 2018, 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* ("Everbright Securities")	The PRC	Securities operations (note 1)	21.30%
China Aircraft Leasing Group Holdings Limited** ("CALGH")	Cayman Islands	Investment holding (note 2)	33.58%*
光大嘉寶股份有限公司*** ("Jiabao Group")	The PRC	Real estate development/ real estate asset management (note 3)	29.17%*

## NOTES TO THE FINANCIAL REPORT

**9. Investments in Associates (continued)****(b) As at 30 June 2018, particulars of principal associates of the Group are as follows: (continued)**

- # Market value of the shares listed in mainland China as at 30 June 2018 was equivalent to HK\$12,832,657,000 (31 December 2017: HK\$17,032,571,000).
- ## Market value of the shares listed in Hong Kong as at 30 June 2018 was HK\$1,826,431,000 (31 December 2017: HK\$1,857,179,000).
- ### Market value of the shares listed in mainland China as at 30 June 2018 was equivalent to HK\$2,878,480,000 (31 December 2017: HK\$5,499,116,000).
- \* 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 2018, Everbright Securities has recorded an after tax profit of RMB1,041 million (six months ended 30 June 2017: RMB1,237 million) and the Group's share of profit under equity accounting method, amounted to HK\$271 million (six months ended 30 June 2017: HK\$346 million).

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

## NOTES TO THE FINANCIAL REPORT

**10. Investments in Joint Ventures****(a) Investments in joint ventures**

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Carrying value, net	<b>1,216,115</b>	916,208

**(b) As at 30 June 2018, 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)	RMB220,000,000	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	Assets management service (note 3)	RMB960,000,000	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 a joint venture of the Group to provide assets management service to an industrial sector investment fund in mainland China.

All of the above joint ventures are unlisted corporate entities whose quoted market prices were not available as at 30 June 2018. They are accounted for using the equity method in the condensed consolidated financial statements.

## NOTES TO THE FINANCIAL REPORT

**11. Available-For-Sale Securities**

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
At fair value:		
Listed equity securities		
– in Hong Kong	–	346,808
– outside Hong Kong	–	9,371,810
Unlisted equity securities/ collective investment schemes		
– outside Hong Kong	–	2,478,237
	–	12,196,855

As at 31 December 2017, the Group's investments in listed equity securities with fair values of HK\$1,304,625,000 are subject to a lock-up provision.

**12. Financial Assets at Fair Value Through Other Comprehensive Income**

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
At fair value:		
Listed equity securities		
– outside Hong Kong	<b>6,849,030</b>	–

At 1 January 2018, the Group designated the investment in China Everbright Bank Company Limited ("China Everbright Bank") as financial assets at fair value through other comprehensive income because the Group intends to hold for the long-term strategic purposes. In 2017, this investment was classified as available-for-sale securities.

No strategic investment was disposed of during the six months period ended 30 June 2018, and there were no transfers of any cumulative gain or loss within equity relating to this investment.

## NOTES TO THE FINANCIAL REPORT

**13. Financial Assets Designated at Fair Value Through Profit or Loss**

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
At fair value:		
Listed equity securities		
– in Hong Kong	<b>48,670</b>	–
– outside Hong Kong	<b>1,982,284</b>	509,407
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	<b>30,084,244</b>	20,320,306
Unlisted convertible preference shares		
– outside Hong Kong	<b>2,823,691</b>	2,008,098
Unlisted debt securities		
– outside Hong Kong	<b>1,737,081</b>	1,867,744
	<b>36,675,970</b>	24,705,555

As at 30 June 2018, the above Group's investments in listed equity securities with fair values of HK\$80,495,000 is subject to a lock-up provision which restricted the Group from selling the equity securities on or before 15 November 2018.

As at 30 June 2018, fair value of the Group's listed and unlisted equity securities amounted to HK\$22,118,076,000 (31 December 2017: HK\$15,796,778,000) 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.

## NOTES TO THE FINANCIAL REPORT

**13. Financial Assets Designated at Fair Value Through Profit or Loss (continued)**

As at 30 June 2018, balances of HK\$234,683,000 (31 December 2017: HK\$187,276,000) 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.

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:

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
As at 1 January	<b>912,390</b>	716,824
Addition for the period/year	–	232,618
Released during the period/year	<b>(78,711)</b>	(79,135)
Exchange adjustment	<b>7,877</b>	42,083
As at 30 June 2018/31 December 2017	<b>841,556</b>	912,390

## NOTES TO THE FINANCIAL REPORT

## 14. Advances to Customers

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
<b>Non-current assets</b>		
Term loans to customers		
– secured	<b>118,985</b>	–
– unsecured	<b>13,144</b>	–
	<b>132,129</b>	–
<b>Current assets</b>		
Term loans to customers		
– secured	<b>2,295,882</b>	2,501,551
Less: impairment loss	<b>(80,921)</b>	(80,921)
	<b>2,214,961</b>	2,420,630
– unsecured	<b>5,765</b>	1,929,982
	<b>2,220,726</b>	4,350,612

Certain term loans to customers are secured by listed and unlisted securities with third party guarantees (see note 26(a)).

Except for the above impairment loss of HK\$80,921,000 (31 December 2017: HK\$80,921,000), there were no significant receivables, that were aged, or requiring impairment provision as at 30 June 2018 and 31 December 2017.



## NOTES TO THE FINANCIAL REPORT

**15. Debtors, Deposits and Prepayments**

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Accounts receivable, net	<b>490,957</b>	364,663
Deposits, prepayments, interest and other receivables	<b>1,547,264</b>	1,073,879
	<b>2,038,221</b>	1,438,542
Less: allowance for doubtful debts	<b>(44,774)</b>	(44,774)
	<b>1,993,447</b>	1,393,768

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

As at 30 June 2018 and 31 December 2017, the Group's receivable of HK\$44,774,000 was individually determined to be impaired.

## NOTES TO THE FINANCIAL REPORT

## 16. Trading Securities

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
<b>Current assets</b>		
At fair value:		
Listed equity securities		
– in Hong Kong	<b>70,038</b>	696,903
– outside Hong Kong	<b>238,832</b>	382,087
Listed debt securities		
– in Hong Kong	<b>286,172</b>	346,042
– outside Hong Kong	<b>462,229</b>	574,949
Unlisted debt securities	<b>18,221</b>	85,668
Unlisted derivatives	<b>23,133</b>	30,851
	<b>1,098,625</b>	2,116,500
<b>Current liabilities</b>		
At fair value:		
Listed equity securities		
– in Hong Kong	<b>(47,886)</b>	(43,424)
– outside Hong Kong	<b>(116,088)</b>	(68,600)
Listed debt securities		
– in Hong Kong	–	(3,909)
– outside Hong Kong	–	(1,639)
Unlisted derivatives	<b>(14,976)</b>	(13,009)
	<b>(178,950)</b>	(130,581)

## NOTES TO THE FINANCIAL REPORT

**17. Bank Loans**

As at 30 June 2018 and 31 December 2017, the bank loans were unsecured.

Repayable details as follows:

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Within 1 year	<b>4,185,159</b>	2,611,257
After 1 year but within 5 years	<b>11,509,501</b>	9,374,977
	<b>15,694,660</b>	11,986,234

**18. Creditors, Deposits Received and Accrued Charges**

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Creditors, deposits received and accrued charges	<b>1,831,850</b>	2,208,123

As at 30 June 2018 and 31 December 2017, creditors, deposits received and accrued charges included bonus payable to staff.

**19. Bond Payable**

	<b>2018 HK\$'000</b>	2017 HK\$'000
As at 1 January	<b>12,414,675</b>	8,998,400
Issued during the period/year	–	2,955,875
Exchange adjustments	<b>78,750</b>	460,400
As at 30 June 2018/31 December 2017	<b>12,493,425</b>	12,414,675

## NOTES TO THE FINANCIAL REPORT

**20. Other Financial Liabilities**

	Note	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
<b>Current:</b>			
Financial liabilities to third party investors	(a)	<b>231,302</b>	266,930
<b>Non-current:</b>			
Financial liabilities to third party investors	(a)	<b>1,102,499</b>	1,262,866

- (a) Included in the above are mainly balances arising from part of the Group's normal course of business. The Group set up investment funds that issue redeemable units to third party investors. The third party investors can redeem the invested units for cash after the end of the commitment period. The redeemable units held by third party investors were classified as other financial liabilities in the condensed consolidated statement of financial position.

## NOTES TO THE FINANCIAL REPORT

**21. Maturity Profile**

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

**As at 30 June 2018**

	Indefinite HK\$'000	On demand HK\$'000	3 to			Over 5 years HK\$'000	Total HK\$'000
			Less than 3 months HK\$'000	less than 12 months HK\$'000	1 to 5 years HK\$'000		
<b>Assets</b>							
- Advances to customers	-	458,398	944,200	818,128	132,129	-	2,352,855
- Trading securities	332,003	-	766,622	-	-	-	1,098,625
- Financial assets at fair value through other comprehensive income	6,849,030	-	-	-	-	-	6,849,030
- Financial assets designated at fair value through profit or loss	34,938,889	-	-	-	1,737,081	-	36,675,970
- Cash and cash equivalents	-	4,035,173	598,176	-	-	-	4,633,349
	42,119,922	4,493,571	2,308,998	818,128	1,869,210	-	51,609,829
<b>Liabilities</b>							
- Bank loans	-	-	(836,579)	(3,348,580)	(11,509,501)	-	(15,694,660)
- Other financial liabilities	-	-	-	(231,302)	(427,735)	(674,764)	(1,333,801)
- Trading securities	(178,950)	-	-	-	-	-	(178,950)
- Bond payable	-	-	-	-	(8,328,950)	(4,164,475)	(12,493,425)
- Notes payable	-	(27,000)	(30,000)	-	-	-	(57,000)
	(178,950)	(27,000)	(866,579)	(3,579,882)	(20,266,186)	(4,839,239)	(29,757,836)

## NOTES TO THE FINANCIAL REPORT

**21. Maturity Profile (continued)**

As at 31 December 2017

	Indefinite	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets</b>							
- Advances to customers	-	23,647	2,121,354	2,205,611	-	-	4,350,612
- Finance lease receivables	-	-	26	21,348	-	-	21,374
- Trading securities	1,109,842	-	1,006,658	-	-	-	2,116,500
- Available-for-sale securities	12,196,855	-	-	-	-	-	12,196,855
- Financial assets designated at fair value through profit or loss	22,837,811	-	-	-	1,867,744	-	24,705,555
- Cash and cash equivalents	-	3,734,496	1,443,860	-	-	-	5,178,356
	36,144,508	3,758,143	4,571,898	2,226,959	1,867,744	-	48,569,252
<b>Liabilities</b>							
- Bank loans	-	-	(1,171,320)	(1,439,937)	(9,374,977)	-	(11,986,234)
- Other financial liabilities	-	-	(1,904)	(265,026)	(544,608)	(718,258)	(1,529,796)
- Trading securities	(125,032)	-	(5,549)	-	-	-	(130,581)
- Bond payable	-	-	-	-	(8,276,450)	(4,138,225)	(12,414,675)
- Notes payable	-	(27,000)	-	(30,000)	-	-	(57,000)
	(125,032)	(27,000)	(1,178,773)	(1,734,963)	(18,196,035)	(4,856,483)	(26,118,286)

**22. Share Capital**

	30 June 2018		31 December 2017	
	No. of shares ( '000)	HK\$'000	No. of shares ( '000)	HK\$'000
Ordinary shares issued and fully paid: End of period/year	<b>1,685,254</b>	<b>9,618,097</b>	1,685,254	9,618,097

## NOTES TO THE FINANCIAL REPORT

**23. Material Related Party Transactions**

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

	<b>1 January to 30 June 2018 HK\$'000</b>	1 January to 30 June 2017 HK\$'000
Management fee income from:		
– a joint venture	<b>785</b>	614
– associates exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss	<b>170,814</b>	51,019
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
Bank interest income from a fellow subsidiary/a related party bank	<b>6,263</b>	10,961
Consultancy and other service income from an associate	<b>7,291</b>	11,024
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	<b>225,343</b>	177,369
– a fellow subsidiary/a related party bank	<b>348,197</b>	174,997
Bank loan interest expense to a fellow subsidiary/a related party bank	<b>12,230</b>	10,624
Consultancy fee to		
– an associate	<b>12,807</b>	9,759
– a shareholder	<b>5,913</b>	–

## NOTES TO THE FINANCIAL REPORT

**23. 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 2018 HK\$'000</b>	31 December 2017 HK\$'000
Amounts due from associates (included in debtors, deposits and prepayments)	<b>235,403</b>	91,655
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)	–	44,460
Amounts due from a fellow subsidiary/ a related party bank	<b>338,709</b>	–
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)	–	210,673
Bank deposit with a fellow subsidiary/ a related party bank	<b>1,785,977</b>	2,022,582
Bank loans from a fellow subsidiary/ a related party bank	<b>(1,329,290)</b>	(701,955)
Interests in collective investment schemes issued by an associate (included in financial assets designated at fair value through profit or loss)	<b>3,089,974</b>	2,975,203



## NOTES TO THE FINANCIAL REPORT

### **23. 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

**24. Contingent Liabilities****Corporate guarantee**

	Note	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Guarantee given by the Company to financial institutions in respect of banking facilities granted to subsidiaries	i	<b>10,616,400</b>	8,996,448

Note:

- i. The Group's subsidiaries have utilised these banking facilities of HK\$8,085,315,000 as at 30 June 2018 (31 December 2017: HK\$8,186,260,000).

**25. Commitments****(a) Capital commitments**

As at 30 June 2018, the Group had capital commitments as follows:

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Contracted but not provided for:		
– consolidated structured entities	<b>318,393</b>	85,951
– a structured entity classified as held for sale	–	1,679,294
– unconsolidated structured entities	<b>5,096,443</b>	4,477,318
	<b>5,414,836</b>	6,242,563

## NOTES TO THE FINANCIAL REPORT

**25. Commitments (continued)****(b) Operating lease commitments**

As at 30 June 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Within 1 year	<b>21,176</b>	13,610
After 1 year but within 5 years	<b>26,450</b>	18,939
	<b>47,626</b>	32,549

**(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 2018 are detailed as follows:

	Fair value assets/ (liabilities)		Contractual/ notional amounts	
	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Asset derivative contracts	<b>23,133</b>	30,851	<b>332,494</b>	652,592
Liability derivative contracts	<b>(14,976)</b>	(13,009)	<b>1,147,573</b>	784,691

## NOTES TO THE FINANCIAL REPORT

### **25. Commitments (continued)**

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

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.

### **26. 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.

## NOTES TO THE FINANCIAL REPORT

### **26. Financial Instruments (continued)**

#### **(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 requires collateral from customers before advances are granted. The amount of advances 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.

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, 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

### 26. 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 medium 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

### 26. 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 16), financial assets at fair value through other comprehensive income (see note 12) and financial assets designated as fair value through profit or loss (see note 13). Other than unlisted securities held for medium to long-term strategic purposes, all of these investments are listed.

The Group's investments in listed equity instruments 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 guidelines. Independent daily monitoring of each portfolio against the corresponding guidelines is carried out by the Risk Management Department. Listed equity investments held in the financial assets at fair value through other comprehensive income/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.

## NOTES TO THE FINANCIAL REPORT

### 27. 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 professional independent valuers to perform valuations of certain financial instruments, including 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 investments and some other private equity investments.



## NOTES TO THE FINANCIAL REPORT

**27. Fair Value of Financial Instruments (continued)**

As at 30 June 2018

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Recurring fair value measurement Assets</b>				
Financial assets at fair value through other comprehensive income:				
– Listed equity securities	6,849,030	–	–	6,849,030
Financial assets designated at fair value through profit or loss:				
– Listed equity securities	1,950,459	–	80,495	2,030,954
– Unlisted equity securities/collective investment schemes	–	225,408	29,858,836	30,084,244
– Unlisted convertible preference shares	–	–	2,823,691	2,823,691
– Unlisted debt securities	–	–	1,737,081	1,737,081
	1,950,459	225,408	34,500,103	36,675,970
Trading securities:				
– Listed equity securities	308,870	–	–	308,870
– Listed debt securities	748,401	–	–	748,401
– Unlisted debt securities	–	18,221	–	18,221
– Unlisted derivatives	–	23,133	–	23,133
	1,057,271	41,354	–	1,098,625
	9,856,760	266,762	34,500,103	44,623,625
<b>Liabilities</b>				
Trading securities:				
– Listed equity securities	(163,974)	–	–	(163,974)
– Unlisted derivatives	–	(14,976)	–	(14,976)
	(163,974)	(14,976)	–	(178,950)

## NOTES TO THE FINANCIAL REPORT

**27. Fair Value of Financial Instruments (continued)**  
**As at 31 December 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:				
– Listed equity securities	8,413,993	–	1,304,625	9,718,618
– Unlisted equity securities/collective investment schemes	–	200,448	2,277,789	2,478,237
	8,413,993	200,448	3,582,414	12,196,855
Financial assets designated at fair value through profit or loss:				
– Listed equity securities	509,407	–	–	509,407
– Unlisted equity securities/collective investment schemes	–	–	20,320,306	20,320,306
– Unlisted convertible preference shares	–	–	2,008,098	2,008,098
– Unlisted debt securities	–	–	1,867,744	1,867,744
	509,407	–	24,196,148	24,705,555
Trading securities:				
– Listed equity securities	1,078,990	–	–	1,078,990
– Listed debt securities	920,991	–	–	920,991
– Unlisted debt securities	–	85,668	–	85,668
– Unlisted derivatives	–	30,851	–	30,851
	1,999,981	116,519	–	2,116,500
	10,923,381	316,967	27,778,562	39,018,910
<b>Liabilities</b>				
Trading securities:				
– Listed equity securities	(112,024)	–	–	(112,024)
– Listed debt securities	(5,548)	–	–	(5,548)
– Unlisted derivatives	–	(13,009)	–	(13,009)
	(117,572)	(13,009)	–	(130,581)

## NOTES TO THE FINANCIAL REPORT

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

During the period ended 30 June 2018, there were no transfers of fair value measurements between Level 1 and Level 2.

As at 30 June 2018, three of the financial assets designated at fair value through profit or loss with fair values of HK\$121,318,000, HK\$348,814,000 and HK\$758,505,000, which were classified as available-for-sale securities as at 31 December 2017, were previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As unadjusted quoted prices are available in the active market, the fair value measurement of these equity securities were accordingly transferred from Level 3 to Level 1 of the fair value hierarchy.

As at 31 December 2017, one of the available-for-sale securities with a fair value of HK\$893,195,000 was previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As an unadjusted quoted price is available in the active market, the fair value measurement of these equity securities were accordingly transferred from Level 3 to Level 1 of the fair value hierarchy.

#### **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.

## NOTES TO THE FINANCIAL REPORT

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

### Information about Level 3 fair value measurements

As at 30 June 2018

Valuation techniques	Significant unobservable inputs	Range	Increase/(decrease) in unobservable inputs	Favourable/(unfavourable) impact on profit or loss HK\$'000
Market comparable companies	Discount for lack of marketability	20% to 30%	5% (5%)	(48,529) 48,529
	Market multiples	1.2 to 28.2	5% (5%)	138,086 (138,086)
Binomial model and equity allocation model	Discount rate	6.39% to 16.27%	5% (5%)	(73,338) 68,742
	Volatility	28.08% to 59.47%	5% (5%)	2,936 (3,636)
Put option model	Discount for lack of marketability for restricted shares	9.58%	5% (5%)	(426) 426
Discount cash flow model	Discount rate	8.94%	5% (5%)	(3,892) 3,957

### As at 31 December 2017

Valuation techniques	Significant unobservable inputs	Range	Increase/(decrease) in unobservable inputs	Favourable/(unfavourable) impact on profit or loss HK\$'000	Favourable/(unfavourable) impact on other comprehensive income HK\$'000
Market comparable companies	Discount for lack of marketability	20% to 30%	5% (5%)	(40,547) 40,547	(9,132) 9,132
	Market multiples	1.1 to 60.4	5% (5%)	110,146 (110,146)	22,742 (22,742)
Binomial model and equity allocation model	Discount rate	3.58% to 15.87%	5% (5%)	(16,195) 17,621	- -
	Volatility	16.81% to 55.92%	5% (5%)	1,784 (2,580)	- -
Put option model	Discount for lack of marketability for restricted shares	4.1% to 50%	5% (5%)	- -	(45,940) 45,940

Remark: The above sensitivity analysis is related to the Level 3 financial instruments recorded in financial assets designated at fair value through profit or loss (31 December 2017: available-for-sale securities and financial assets designated at fair value through profit or loss).

## NOTES TO THE FINANCIAL REPORT

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

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

Other than using the recent transaction approach as the valuation technique in determining the fair value of level 3 financial instruments, the valuation techniques in estimating the fair value of other financial instruments are described as follows:

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.

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 and the adjustment was referenced to put option models.

The fair value of preference shares and debt securities are estimated using the equity allocation model and discounted future cash flows respectively. 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

**27. Fair Value of Financial Instruments (continued)**

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

	Available-for-sale securities			Financial assets designated at fair value through profit or loss				
	Listed equity securities	Unlisted equity securities/collective investment schemes	Total	Listed equity securities	Unlisted equity securities/collective investment schemes	Unlisted convertible preference shares	Unlisted debt securities	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017	1,324,739	4,074,532	5,399,271	-	13,989,238	1,013,743	1,661,345	16,664,326
Purchased	-	22,820	22,820	-	8,066,760	491,954	3,264,836	11,823,550
Net unrealised gain/(loss) recognised in other comprehensive income	873,081	(496,045)	377,036	-	-	-	-	-
Net realised and unrealised gain recognised in profit or loss	-	-	-	-	1,931,502	502,401	238,512	2,672,415
Conversion	-	-	-	-	218,313	-	(218,313)	-
Sold	-	(1,323,518)	(1,323,518)	-	(3,885,507)	-	(3,078,636)	(6,964,143)
Reclassification	(893,195)	-	(893,195)	-	-	-	-	-
At 31 December 2017	1,304,625	2,277,789	3,582,414	-	20,320,306	2,008,098	1,867,744	24,196,148
Impact on transition to HKFRS 9	(1,304,625)	(2,277,789)	(3,582,414)	1,304,625	2,277,789	-	-	3,582,414
As at 1 January 2018	-	-	-	1,304,625	22,598,095	2,008,098	1,867,744	27,778,562
Purchased	-	-	-	-	7,252,942	776,429	962,234	8,991,605
Net realised and unrealised gain/(loss) recognised in profit or loss	-	-	-	4,507	1,721,755	221,582	(168,348)	1,779,496
Conversion	-	-	-	-	468,892	-	(468,892)	-
Sold	-	-	-	-	(2,182,848)	(182,418)	(455,657)	(2,820,923)
Reclassification	-	-	-	(1,228,637)	-	-	-	(1,228,637)
At 30 June 2018	-	-	-	80,495	29,858,836	2,823,691	1,737,081	34,500,103

## NOTES TO THE FINANCIAL REPORT

### **28. 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 professional 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, Fund of Funds ("FoF") and Wealth Management.

## NOTES TO THE FINANCIAL REPORT

### 28. 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

### 28. 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.
- Fund of Funds investment or “FoF” – FoF invested in both 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.
- Wealth Management – Everbright Prestige has become an important carrier and business platform for the Group’s asset management business in mainland China. It 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 (“QFII”), onshore insurance companies and other institutions which are set up and operate according to the law. Everbright Prestige demonstrate 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.

#### Principal Investment

The Group fully utilises its proprietary capital to achieve four goals: (1) invest in medium to long term business and industries with strategic value; (2) nurture investment teams and developing high quality financial products to promote and support fund management business; (3) 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; (4) 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 China Everbright Bank.

## NOTES TO THE FINANCIAL REPORT

**28. Segment Information (continued)****Business segments**

For the six months period ended 30 June 2018:

	Continuing operations							Discontinued operations	Total HK\$'000
	Fund Management Business							Reportable segments total HK\$'000	
	Primary Market HK\$'000	Secondary Market HK\$'000	Fund of Funds HK\$'000	Wealth Management HK\$'000	Principal Investment HK\$'000	Strategic Investment HK\$'000	HK\$'000		
<b>INCOME</b>									
Operating income from external customers	457,432	23,618	5,488	-	304,055	348,197	1,138,790	-	1,138,790
Other net income from external customers	1,191,115	(97,264)	37,775	-	311,220	88,631	1,531,477	-	1,531,477
Total operating income and other net income	1,648,547	(73,646)	43,263	-	615,275	436,828	2,670,267	-	2,670,267
<b>RESULTS AND RECONCILIATION OF SEGMENT RESULTS</b>									
Segment results before non-controlling interests	1,539,366	(142,146)	36,865	-	567,001	436,828	2,437,914	6,775	2,444,689
Unallocated head office and corporate expenses									(675,818)
Share of profits less losses of associates	28,859	-	-	-	107,880	270,980	407,719	-	407,719
Share of profits less losses of joint ventures	57,263	-	-	44,127	-	-	101,390	-	101,390
Profit before taxation									2,277,980
Less: Non-controlling interests	(102,333)	(279)	-	-	(3,345)	-	(105,957)	-	
Segment results	1,523,155	(142,425)	36,865	44,127	671,536	707,808	2,841,066	6,775	

## NOTES TO THE FINANCIAL REPORT

## 28. Segment Information (continued)

## Business segments (continued)

For the six months period ended 30 June 2017:

	Continuing operations							Discontinued operations	Total HK\$'000
	Fund Management Business						Reportable segments total HK\$'000	HK\$'000	
	Primary Market HK\$'000	Secondary Market HK\$'000	Fund of Funds HK\$'000	Wealth Management HK\$'000	Principal Investment HK\$'000	Strategic Investment 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

**28. Segment Information (continued)****Other information**

As at 30 June 2018:

	Continuing operations							Discontinued operations	Total HK\$'000
	Fund Management Business							Reportable segments total HK\$'000	
	Primary Market HK\$'000	Secondary Market HK\$'000	Fund of Funds HK\$'000	Wealth Management HK\$'000	Principal Investment HK\$'000	Strategic Investment HK\$'000	HK\$'000		
Segment assets	22,192,129	3,673,094	1,147,404	-	19,993,173	7,421,485	54,427,285	993,869	55,421,154
Investments in associates	3,772,890	-	-	-	2,479,397	12,307,570	18,559,857	-	18,559,857
Investments in joint ventures	380,802	-	-	835,313	-	-	1,216,115	-	1,216,115
Amounts due from investee companies	211,840	-	-	-	22,843	-	234,683	-	234,683
Unallocated head office and corporate assets									437,812
Total assets									75,869,621
Segment liabilities	1,337,748	462,753	-	-	823,985	-	2,624,486	-	2,624,486
Unallocated head office and corporate liabilities									28,965,200
Provision for taxation									454,841
Deferred tax liabilities									1,291,865
Total liabilities									33,336,392

## NOTES TO THE FINANCIAL REPORT

**28. Segment Information (continued)****Other information (continued)**

As at 31 December 2017:

	Continuing operations							Discontinued operations	Total HK\$'000
	Fund Management Business							Reportable segments total HK\$'000	
	Primary Market HK\$'000	Secondary Market HK\$'000	Fund of Funds HK\$'000	Wealth Management HK\$'000	Principal Investment HK\$'000	Strategic Investment HK\$'000	HK\$'000		
Segment assets	20,016,634	4,151,247	670,232	-	18,263,195	7,512,478	50,613,786	908,948	51,522,734
Investments in associates	3,786,466	-	-	-	2,423,899	13,542,889	19,753,254	-	19,753,254
Investments in joint ventures	325,551	-	-	590,657	-	-	916,208	-	916,208
Amounts due from investee companies	155,044	-	-	-	32,232	-	187,276	-	187,276
Finance lease receivables	-	-	-	-	21,374	-	21,374	-	21,374
Unallocated head office and corporate assets									517,425
Total assets									72,918,271
Segment liabilities	2,295,114	538,808	-	-	621,423	-	3,455,345	426,502	3,881,847
Unallocated head office and corporate liabilities									24,871,064
Provision for taxation									667,116
Deferred tax liabilities									1,153,249
Total liabilities									30,573,276

## NOTES TO THE FINANCIAL REPORT

**28. 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 2018			For the six months period ended 30 June 2017		
	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	559,482	579,308	1,138,790	431,190	449,663	880,853
Other net income	136,806	1,394,671	1,531,477	(4,352)	1,112,777	1,108,425
	<b>696,288</b>	<b>1,973,979</b>	<b>2,670,267</b>	426,838	1,562,440	1,989,278

	30 June 2018			31 December 2017		
	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	2,793,298	17,475,687	20,268,985	1,729,486	18,450,955	20,180,441

## INDEPENDENT REVIEW REPORT



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 60, 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 2018 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

### **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 2018



## REVIEW AND ANALYSIS

### Macro-economic Review

In the first half of 2018, the breakout of US-China trade war, the Fed's continuous rate hikes, the winding down of quantitative easing by key central banks around the world, and political turmoil across Europe led to renewed risk aversion in global markets. As a result, stock market was hugely volatile and the MSCI World Index's market capitalisation evaporated by over US\$1 trillion. Meanwhile, economic developments across different countries and regions have significantly diverged. The US economy stood out from the crowd, with GDP growing at 4.1% in the second quarter, which is the strongest since the third quarter of 2014. As economic stimulus, such as tax cuts and infrastructure investments, begin to filter through into the economy, driving up employment, income levels and asset prices, the US stock market is expected to outperform the rest of the world this year. In China, despite posting GDP growth of 6.8% year-on-year in the first half of 2018 and continued solid momentum in domestic demand, aggravating trade tensions with the US as well as concerns over the country's economic outlook have intensified the pressure on capital outflows. During the period under review, the renminbi weakened against the US dollar to 6.6:1, while the A-share market experienced a plunge of over 10%.

As a cross-border asset management company, China Everbright Limited ("CEL") remains on the lookout for long-term investment opportunities arising from China's growth and that seen globally. The Group has remained prudent during this period of turbulence in the first half of 2018 to focus on developing its cross-border investment and asset management business, and launched a range of fund products to address market needs. By capitalising on the private equity and debt investment opportunities both at home and abroad, these funds strive to deliver desirable returns for their investors and shareholders.

In the face of the growing demand for asset management from mainland institutions, CEL geared up domestic investments in pioneer industries such as real estate, culture, entertainment and artificial intelligence accordingly on the one hand and overseas investments in a number of sectors with strong ties to China's demand on the other, including infrastructure, high-end manufacturing and semi-conductor, increasing the allocation for global asset.

## REVIEW AND ANALYSIS

### Milestones in the First Half of 2018

During the first half of 2018, CEL's direct operating businesses of fund management and principal investments served as dual business drivers and achieved multiple breakthroughs as follows:

1. The scale of funds' assets under management ("AUM") continued to grow steadily: During the period under review, CEL successfully completed the setting up of a number of new funds, including the Walden CEL Global Fund I, CEL-iQiyi Cultural Equity Investment Fund, CEL Smart Entertainment Industry Investment Fund, Everbright-IDG Hongsheng Investment Fund and Everbright-IDG Qianxing Investment Fund, and expanded the AUM of the CEL Global Investment Fund, L.P., Everbright-IDG Industrial Fund, Everbright Overseas Infrastructure Investment Fund and some secondary market funds. These contributed to the growth of CEL's total fundraising to HK\$138.9 billion, an 8% increase since the end of last year. This further cemented CEL's leading position in the private equity industry in China.
2. Balanced asset allocation across sectors and globally: CEL increased the proportion of outbound investments to seize opportunities arising from the One Belt, One Road Initiative during the period under review. Accordingly, the Group's overseas funds invested in Green Energy Geothermal and Norway-based Boreal Holding AS, while the Walden CEL Global Fund I, with a focus on the global semi-conductor industry, made investments in AQUANTIA and ACM Research. By aligning its outbound investments with domestic needs, the Group has helped to improve the research and development standards of relevant industries in China. In the Mainland, CEL is committed to balancing its investment in traditional and "New Economy" industries. As such, the Group continued to focus on industries such as real estate, healthcare and artificial intelligence and made investments in niche market leaders, including Goodman Logistics, Lifetech Scientific and Chunmi Technology.

## REVIEW AND ANALYSIS

### **Milestones in the First Half of 2018 (continued)**

3. **Robust industry-finance integration capability:** CEL attaches great importance to improving the capacity of its investees through capital operation rather than making pure financial investments. CEL has successfully applied such an industry-finance integration investment philosophy in areas such as real estate and aircraft leasing. During the period under review, supported by CEL, China Aircraft Leasing Group Holdings Limited (“CALC”) successfully established CAG, an international aircraft leasing and investment platform, and identified several state-owned enterprises as cornerstone limited partners for joint investment in aircraft portfolio on lease to global airlines, with a view to steadily facilitating its strategic transformation from a pure aircraft leasing service provider into a full aircraft value-chain solutions provider covering the leasing of new aircrafts, the purchase and disassembling of old aircrafts, fleet operations and management, and aircraft leasing-related asset management.

On the other hand, with a 29.17% stake in Everbright Jiabao Co., Ltd. (“Everbright Jiabao”), CEL supported the integration of businesses under its EBA Real Estate Fund and Everbright Jiabao during the period under review, facilitating the newly merged company to transform from an asset-heavy real estate developer into an asset-light real estate private equity fund manager.

4. **Well-scheduled project exits to secure stable return:** During the first half of this year, CEL fully or partially sold its stake in Macquarie Everbright China Infrastructure Fund, China TCM and Betta Pharmaceuticals. Moreover, the Group’s investment projects, including iQiyi, Eloxx Pharmaceuticals and Uxin, were all successfully listed on Nasdaq, ramping up CEL’s reserve of projects available for divestment. Benefiting from the Hong Kong Stock Exchange’s newly implemented IPO rules, which provide a more competitive IPO platform for companies that are ready to go public, CEL will be able to accelerate exits from its investment projects in the future.

## REVIEW AND ANALYSIS

### **Milestones in the First Half of 2018 (continued)**

With the rapid growth of its businesses, CEL is now recognised as one of the leaders in the cross-border asset management industry. In the first half of 2018, it won major accolades, including:

1. Received “The Best Investment Value Award” at the “2017 China Financial Market Awards”
2. Chen Shuang, CEO of CEL, has made it onto the list of “China Top 100 Investors” for two consecutive years
3. Was awarded “Top 30 China VC/PE Limited Partners” by Zero2IPO Research
4. Won a number of awards at the 12th China Venture Investment Conference, including “Top 100 PE Firms”, “Top 10 M&A Funds”, “Top 10 Investment Case Studies in the AI and Big Data Industry – Terminus Technologies” and “Top 10 Investment Case Studies in China’s Internet Industry – Wish”. Everbright-IDG won “Top 100 PE Firms”, “Top 50 Chinese PE Firms”, “Top 10 Investment Case Studies in the AI and Big Data Industry – SenseTime” and Top 10 Investment Case Studies in China’s Internet Industry – iQiyi”. Everbright Zhongying Capital won several awards, such as “Top 50 Chinese Venture Capital Firms”, “Top 10 Investment Case Studies in China’s Advanced Manufacturing and High-tech Industry – Xiaopeng Motors” and “Top 10 Investment Case Studies in China’s Internet Industry – Youxinpai”

## REVIEW AND ANALYSIS

**Milestones in the First Half of 2018 (continued)**

CEL's funds and business units also garnered multiple awards as follows:

1. EBA Investments ranked first for the fourth time in the "China Real Estate Funds Integrated Capability Top 10 List" in 2018
2. Everbright China Focus Fund ranked No.4 among emerging market Asia hedge funds for its performance over the past three years by leading hedge fund research firm BarclayHedge
3. China Everbright Assets Management Limited was named "Best Hedge Fund Manager" and received four other recognitions at the I&M Professional Investment Awards Ceremony
4. Everbright Prestige Capital was awarded "2018 China's Top 10 Innovative Asset Management Products Junding Award" by Securities Times

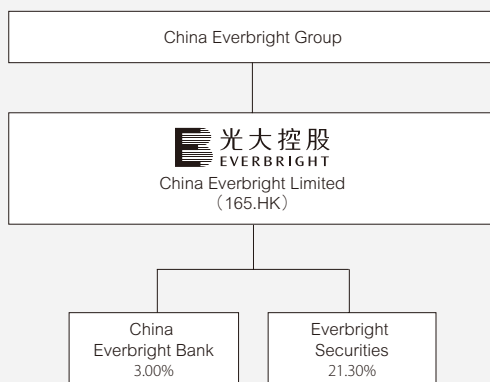
**Operating Results**

CEL posted profit attributable to shareholders in the first half of 2018 of HK\$1,940 million, up 30% year-on-year. In which, its direct operating businesses (fund management business and principal investment business) recorded a profit of HK\$1,267 million, up 28% year-on-year. In terms of strategic investment, the Group's share of profit from Everbright Securities was HK\$271 million, down by 22%. During the period under review, the Group reduced its shareholding of Everbright Securities by 2.00% and recorded a one-off profit of HK\$89 million. Dividend income after tax from China Everbright Bank was HK\$313 million, an increase of 99% year-on-year.

<b>Profit from major business segments (in HK\$ million)</b>	<b>2018 1H</b>	<b>2017 1H</b>	<b>Change</b>
CEL's direct operating businesses (fund management business and principal investments)	1,267	987	28%
Share of profit from Everbright Securities	271	346	(22%)
Dividend income contributed by China Everbright Bank (after tax)	313	157	99%
Profit from disposal of the shares of Everbright Securities	89	–	N/A
<b>Total</b>	<b>1,940</b>	<b>1,490</b>	<b>30%</b>

## REVIEW AND ANALYSIS

## Operating Results (continued)



As income growth was faster than operating expenses, the total cost-to-income ratio in the first half of 2018 was 34.0%, down 1.9 percentage points. In order to meet the capital needs for the fund management business and structured finance business, the Group increased bank borrowing during the period under review, which increased interest-bearing borrowings to HK\$28.2 billion, with the gearing ratio increased to 66.4% while quick ratio was 158%, maintaining a desirable liquidity level.

Key financial data	2018 1H	2017 1H	Change
Total cost-to-income ratio (note 1)	34.0%	35.9%	-1.9p.p.
Gearing ratio (note 2)	66.4%	57.8%	+8.6p.p.
		(End of 2017)	

Note 1: Total cost-to-income ratio is calculated as (staff costs + depreciation and amortisation expenses + operating expenses + finance costs)/(operating income+ other net income)

Note 2: The gearing ratio is calculated as interest-bearing borrowings/total equity

## CEL'S DIRECT OPERATING BUSINESS – FUND MANAGEMENT

### 1. Fund Management Business

After surpassing the HK\$100 billion milestone for total fundraising amount in 2017, the Group's fund management business maintained growth momentum in the first half of 2018, with the total fundraising amount increasing to HK\$138.9 billion – up 8% compared with the end of 2017, reaching a new milestone, with external funds accounting for 79%. CEL is dedicated to establishing rich fund product offerings, which include the primary market's sector-focused funds and overseas funds, the secondary market's equity funds and fixed income funds, as well as fund of funds which have proven track records in generating desirable returns in the market. These fund businesses have been widely praised by investors and have provided strong support for the steady growth of the Group's fund management scale.

As of 30 June 2018, the Group managed a total of 55 funds which contained 134 primary market post-investment management projects and 25 secondary market investment portfolios. Of which, 13 primary market projects have been listed on various stock markets around the world.

## CEL'S DIRECT OPERATING BUSINESS – FUND MANAGEMENT

Below are the funds under the Group and its affiliates' fund management businesses (as of 30 June 2018):

Fund business	Fund Type	Fund Name	Year of Launch	Investment Focus	Fundraising Scale		
Private equity funds		China Special Opportunities Fund II (CSOF II)	2007	Telecom, media, high-tech and consumer	US\$100 M		
		China Special Opportunities Fund III (CSOF III)	2010	Agriculture, consumer goods, servicing and financial auxiliary	US\$399 M		
Venture capital funds		Beijing Zhongguancun Industry Investment Fund	2007	High-growth manufacturing, hi-tech & servicing	RMB160 M		
		Everbright Jiangyin Asset Investment Fund	2009	High-growth industries	RMB260 M		
		Everbright Guolian Fund	2009	High-growth industries	RMB220 M		
		Everbright Ashmore China Real Estate Fund (USD)	2009	China real estate	US\$140 M		
		EBA Real Estate	2009	China real estate	RMB49.7 B		
		Everbright Medical and Healthcare Fund I	2012	Healthcare industry	RMB600 M		
		Everbright Medical and Healthcare Fund II	2015	Healthcare industry	RMB1.2 B		
		Everbright Jiangsu New Energy (Low Carbon) Fund	2010	New materials, environmental protection and energy saving	RMB100 M		
		Everbright Qingdao New Energy (Low Carbon) Fund	2013	New materials, environmental protection and energy saving	RMB650 M		
		Everbright Zhengzhou Fund	2016	High-growth industries	RMB2.8 B		
		Shandong Hi-Speed Everbright Industrial Fund	2014	Municipal services, environmental protection, clean energy	RMB1.8 B		
		Everbright-IDG Industrial Fund (IDG-Everbright M&A Investment Fund)	2016	Investment opportunities in sub-sector leaders	RMB10 B		
		Harmonious Core Fund	2016	Investment opportunities in sub-sector leaders	RMB4 B		
	Primary Market Funds	Sector focused funds	Harmonious Bright Core Fund	2016	Investment opportunities in sub-sector leaders	RMB1.43 B	
Everbright Zhongying Capital			2016	Pan-entertainment	RMB1.2 B		
CEL Haimen Health and Pension Industry Investment Fund			2017	Pension Industry	RMB500 M		
CEL Intelligent Manufacturing Equity Investment Fund			2017	Intelligent Manufacturing Industry	RMB520 M		
CEL Smart Entertainment Industry Investment Fund			2017	Pan-entertainment	RMB360 M		
Everbright-IDG Hongsheng Investment Fund			2017	Investment opportunities in sub-sector leaders	RMB500 M		
Everbright-IDG Qianxing Investment Fund			2017	Investment opportunities in sub-sector leaders	RMB97 M		
CEL-Qiyi Cultural Equity Investment Fund			2018	Pan-entertainment	RMB520 M		
CEL Catalyst China Israel Fund			2014	Innovative Israel enterprises	US\$150 M		
CEL Global Investment Fund			2016	Global Opportunities	US\$540 M		
Everbright Overseas Infrastructure Investment Fund			2017	Global Infrastructure	US\$400 M		
Walden CEL Global Fund I			2018	Semi-conductor Industry	US\$160 M		
RMB Mezzanine Fund I			2012	Domestic Mezzanine Financing	RMB800 M		
RMB Mezzanine Fund II			2016	Domestic Mezzanine Financing	RMB820 M		
Secondary Market funds			Equity Funds		2012	Equity product investment	HK\$5.5 B Equivalent
			Fixed Income Funds		2012	Fixed income product investment	HK\$14.1 B Equivalent
			New Third Board Market Fund		2015	National Equities Exchange and Quotations	HK\$250 M Equivalent
Fund of Funds (FoF)	Parent funds	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>HK\$138.9 B Equivalent</b>		
Everbright Prestige Capital		Everbright Prestige Capital	2014	Domestic specific client's asset management	RMB74.6 B		



## CEL'S DIRECT OPERATING BUSINESS – FUND MANAGEMENT

During the first half of 2018, total income from the Group's fund management business amounted to HK\$1,755 million, representing an increase of 150% year-on-year. The increase was mainly due to the rise in management and consultancy fees in accordance with the increased AUM scale and a rise in unrealised capital gains. The pre-tax profit of the Group's fund management business was HK\$1,571 million, an increase of 206% year-on-year.

### Key financial data of fund management business (in HK\$ million)

	2018 1H	2017 1H	Change
Management, performance and consultancy fees	176	107	64%
Interest income	87	62	40%
Dividend income	302	271	11%
Capital gains (realised gain/loss)	557	(54)	N/A
Capital gains (unrealised gain)	490	187	162%

### 1.1 Primary Market Funds

As of 30 June 2018, CEL's primary market funds raised a total of HK\$107.1 billion in aggregate, representing an increase of 7% year-on-year. In the primary market, CEL has become one of the China's leading institutions for private equity investment and asset management. The Group's strong investment management team of over 200 experts is well equipped with an abundant professional knowledge, networks and experience. They adopt a proactive approach to fund management in the aspects of fundraising, investment, management and divestment. Currently, the total number of invested projects under management is 134, covering areas such as real estate, healthcare, pan-entertainment, infrastructure and the TMT sector, effectively grasping growth opportunities in every industry.

## CEL'S DIRECT OPERATING BUSINESS – FUND MANAGEMENT

### 1.1 Primary Market Funds (continued)

In particular, EBA Investment, the Group's real estate private equity fund management platform, which focuses on investing in buy-and-hold properties, gains profits through upgrading, reconstructing, developing and operating these properties as a property manager and a brand promoter. In November 2016, the Group injected 51% of shares from EBA Investments into Everbright Jiabao. As at 30 June 2018, CEL held 29.17% of shares in Everbright Jiabao as its biggest shareholder. The EBA Investment platform has effectively leveraged its A-share listed identity for real estate investment and asset management, in order to lay positive foundations for further development in the long run. As at 30 June 2018, the EBA Investment platform managed 34 projects, with a total fundraising capacity of RMB49.7 billion. The platform has ranked No.1 in the "China Real Estate Funds Integrated Capability Top 10 List" for four consecutive years between 2015 and 2018.

In terms of fundraising, CEL has enhanced its utilisation of resources to expand the fund management business over the years, with an aim to steadily grow its business scale to generate a stable flow of management fees and further optimise its income structure. In the first half of 2018, CEL successfully launched several new funds, including the Walden CEL Global Fund I, CEL-iQiyi Cultural Equity Investment Fund, CEL Smart Entertainment Industry Investment Fund, Everbright-IDG Hongsheng Investment Fund and Everbright-IDG Qianxing Investment Fund. Also, CEL plans to launch its Aviation Silk Road Fund, New Economy USD Fund and Hunan-CEL Investment Fund in 2018 to sustain the business growth momentum.

## CEL'S DIRECT OPERATING BUSINESS – FUND MANAGEMENT

### 1.1 Primary Market Funds (continued)

As for investment, apart from leveraging its investment team's resources to look for investment opportunities in traditional industries where it has a competitive edge, CEL also cooperates with outstanding private equity institutions via the CO-GP model to accelerate its allocation towards "New Economy" industries. Its main investments in the first half of 2018 were as follows:

#### **Leveraging investment teams' competitive edge to invest in traditional industries continuously**

1. The EBA Investment platform has promoted its investment development management projects in first tier cities in Mainland China, such as the New Everbright Centre in Beijing and the EBA Investment Center in Shanghai. With the market focusing on consumption upgrade, the EBA Investment platform has developed two equally important commercial product lines, "IMIX Park" and "IMIX+". It operates and manages "New Retail" shopping malls, as well as commercial and exhibition centres that use the "New Wholesale" model. During the period under review, the platform debuted one "IMIX Park" project in Shanghai's Jing'an District, and one "IMIX+" project in Chongqing Chaotianmen. As at 30 June 2018, there were 12 "IMIX Park" projects under management or construction. Current project footprint covers first and second tier cities, including Shanghai, Beijing, Chongqing, Xi'an and Qingdao, among others, with 1.25 million m<sup>2</sup> GFA.
2. Everbright Overseas Infrastructure Investment Fund acquired Boreal Holding AS, a Norwegian public transport operator. Boreal is one of the largest public transportation companies in Norway, which has operating tenders in four business segments: bus, fast ferry, car ferry and light rail. It has good growth prospects.

## CEL'S DIRECT OPERATING BUSINESS – FUND MANAGEMENT

### 1.1 Primary Market Funds (continued)

#### **Strong hands join together to quickly occupy fields in the new economy sector**

1. Everbright Zhongying Capital invested in Chunmi Electronics Technology, a leading enterprise in the online small household appliances sector. Chunmi Electronics Technology is Xiaomi Group's most important segment within its small household appliance value chain. The first-ever investment into Xiaomi eco chain will help enhance the fund's investment portfolio in the technology-driven "New Consumption" area.
2. Walden CEL Global Fund I invested in several companies in the semiconductor sector and electronic informational value chain innovation sector, including AQUANTIA and ACM Research, supporting to elevate the technology and application standards of relevant industries in China.

In terms of divestment, CEL successfully divested China Traditional Chinese Medicine Co. Limited and partly divested Betta Pharmaceuticals Co., Ltd in the first half of 2018. Moreover, several projects under the Group's funds were successfully listed in the US, which increased the number of potential projects for exit:

1. iQiyi, which has received investment from Everbright-IDG Industrial Fund, was listed on Nasdaq on 29 March 2018, a milestone project for the fund's exposure to the pan-entertainment industry.
2. Eloxx Pharmaceuticals, a biopharmaceutical company that specialises in rare genetic diseases which has received investment from the CEL Catalyst China Israel Fund, was listed on Nasdaq on 26 April 2018.
3. Uxin, which received investment from Everbright Zhongying Capital, was listed on Nasdaq on 27 June 2018, becoming "the first Chinese online used car e-commerce stock".

With the introduction of new IPO regulations by the Hong Kong Stock Exchange, more companies seized the opportunity to go public in Hong Kong. Kinergy Corporation Ltd and Hope Education Group, which received investment from CEL, were listed on the Main Board of the Hong Kong Stock Exchange in July and August 2018 respectively.

## CEL'S DIRECT OPERATING BUSINESS – FUND MANAGEMENT

### 1.2 Secondary Market

As of 30 June 2018, CEL's secondary market platform managed 25 funds and accounts with total assets under management of HK\$20.6 billion, 66% year-over-year.

During the period under review, CEL's secondary market team achieved above-market returns, with accelerated growth in assets under management, and received various awards and nominations amid challenging market conditions. As of 30 June 2018, the Everbright Dynamic Bond Fund, the flagship Asian US dollar-denominated bonds fund managed by the fixed income team, achieved return of -4.3% in US dollars and -3.6% in Renminbi net of fees YTD, while the BofAML Asian Dollar High Yield Corporate Index returned -4.6%. Launched in December 2012, the fund has delivered a net USD return of 50.9%, with an annualised return of 7.7%. CEL's secondary market team continued to raise funds for the Everbright Dynamic Bond Fund and feeder funds. As of 30 June 2018, fund size reached US\$569 million, an increase of 139% y-o-y. Given the fund's performance, CEL successfully brought in a lot of new overseas and domestic institutional clients. CEL's fixed income team received numerous recognitions during the period under review, including Insights & Mandates' "Best Hedge Fund Manager" award, Wall Street Traders Platform's "Best Chinese Offshore Fixed Income Private Fund" award and EurekaHedge's "Best Asian Fixed Income Fund" nomination. In addition, the secondary market team successfully launched the Group's first public fund, the Everbright Income Focus Fund, during the period under review, further enriching its fixed income product offerings.

## CEL'S DIRECT OPERATING BUSINESS – FUND MANAGEMENT

### 1.2 Secondary Market (continued)

As of 30 June 2018, Everbright China Focus Fund, a Greater China long-only absolute return fund managed by the secondary market equity team, achieved net of fees USD return of -0.5%, while the CSI 300 and the HS China Enterprises Index returned -12.9% and -5.4% respectively. Since fund inception in January 2014, the fund has registered a total net return of 105.5%, with an annualised return of 17.4%. During the period under review, the fund managed US\$91.5 million worth of assets, an increase of 64% y-o-y. Due to its stable performance, the Everbright China Focus Fund received multiple awards during the period under review, including “Best China Hedge Fund (3-Year)” and “Best China A-Share Equity Fund (3-Year)” by Insights & Mandates. The fund was also ranked No.7 by international hedge fund research firm BarclayHedge among the top 10 Emerging Market Asia funds in the first quarter of 2018 for its performance over the past three years (April 2015 to March 2018).

Moreover, during the period under review, the equity investment team and the sales team capitalised on the opportunities arising from increased interest in Hong Kong stock market among domestic institutional investors and high net worth individuals to raise fund for onshore products that invest through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. During the same period, the team also partnered with Bank of China and successfully rolled out the “FOTIC – CEL Shanghai-Hong Kong-Shenzhen Securities Collective Investment Trust Scheme”. The Group’s subsidiary, as the investment manager, launched its first Sunshine Private Fund product called “CEL Dynamic Shanghai-Hong Kong-Shenzhen Equity Fund” with a master-feeder structure, which raised a total of RMB240 million, further expanding the Group’s partnership with other institutions as well as product offerings.

## CEL'S DIRECT OPERATING BUSINESS – FUND MANAGEMENT

### 1.3 Wealth Management

CEL develops its wealth management business in mainland China through Everbright Prestige, a company jointly owned by China Post Fund and CEL. Everbright Prestige implemented the net capital management measures on exclusive-customer asset management companies in China imposed by the China Securities Regulatory Commission. After completing a capital increase by shareholders in June 2018, Everbright Prestige has fulfilled the net capital requirement within the transitional period allowed by the regulations.

In 2018, the asset management industry in China has continued to develop in line with the government's major regulatory initiatives of "deleveraging, reduction of channel businesses, risk prevention", following the introduction of the net capital requirement and other new asset management rules. Everbright Prestige has taken proactive measures to optimise its operational structure and has adopted a prudent approach to business expansion. It also seeks partnership opportunities across multiple areas, levels and channels in accordance with regulatory guidance, as it looks to further improve the overall Return on Equity.

As of 30 June 2018, the scale of Everbright Prestige's personal wealth management business was RMB74.6 billion, representing a decrease of 20% compared with the end of 2017. Operating income amounted to RMB176 million and profit before tax was RMB102 million. After-tax profit increased by 36% year-on-year to RMB76 million.

## CEL'S DIRECT OPERATING BUSINESS – FUND MANAGEMENT

### 1.4 Fund of Funds (“FoF”)

CEL's FoF team currently manages two marketised FoFs, namely the Multi-strategy Alternative Investment Fund and Everbright-CMB Multi-strategy Equity Investment Fund. During the period under review, the FoF team focused on the construction of Hunan-CEL Investment Fund.

In 2015, CEL launched the Multi-strategy Alternative Investment Fund, which had a total size of RMB5.0 billion. As an important part of CEL's fund management platform, the Multi-strategy Alternative Investment Fund helps institutional investors to diversify their investments and lower correlation within portfolios. Therefore, the fund provides major institutions in China with a one-stop financial services solution that offers both liquidity and return potential. Besides funds initiated and managed by CEL, the FoF also invests in external funds with a proven track record and sound governance. Through adjusting and optimising the allocation of seed capital for each of the funds, as well as leveraging the investment and operations of strong-performing external funds, the FoF allows CEL to further perfect its allocation in the private equity investment sector.

To expand the scale of the FoF business, CEL partnered with China Merchants Bank in 2017 to launch the Everbright-CMB Multi-strategy Equity Investment Fund with a total size of RMB5.0 billion, which is managed by CEL's professional FoF team. Making use of both sub-fund and direct project investing methods, the FoF focuses on equity investments in the primary market and “in-between market” (a market between the primary and secondary markets), with a diversified investment approach covering venture capital (VC), private equity (PE), Pre-IPO, mergers and acquisitions (M&A).

As of the end of June 2018, the total size of FoFs was RMB10.0 billion, while total capital commitment for sub-funds and equity investments exceeded RMB3 billion.



## CEL'S DIRECT OPERATING BUSINESS – PRINCIPAL INVESTMENT BUSINESS

## 2. Principal Investment Business

Other than acting as a third-party asset manager, CEL also makes flexible use of principal funds for investments to optimise CEL's income structure. As of 30 June 2018, the total scale of the Group's principal investments' income amounted to HK\$723 million, a drop of 45% year-on-year. Of which, interest income derived from the provision of structured financing products for clients increased by 50% to HK\$153 million; and realised capital gains dropped by 89%, which was mainly due to the considerable capital gains from divesting Focus Media in the first half of 2017. During the period under review, the pre-tax profit of the principal investment business amounted to HK\$675 million, a drop of 45%.

### Key financial data of principal investment (in HK\$ million)

	2018 1H	2017 1H	Change
Consultancy fees	94	0.6	15,567%
Interest income	153	102	50%
Dividend income	56	53	6%
Capital gains (realised gain)	121	1,111	(89%)
Capital gains (unrealised gain/loss)	219	(40)	N/A
Share of CALC's results as an associate	101	84	20%

## CEL'S DIRECT OPERATING BUSINESS – PRINCIPAL INVESTMENT BUSINESS

CEL's principal investment business serves the following four functions for capital usage to complement the fund management business:

1. Proprietary investment: Utilising its strong financial strength, when investing and managing general investment projects that do not serve the specific purposes of strategic investments or fund incubators, CEL will invest or co-invest in projects under the fund management business after rigorous risk assessments to enhance CEL's overall returns from its principal investments.

During the period under review, the Group recorded a considerable profit in proprietary investments from the divestment of Macquarie Greater China Infrastructure Fund LP.

2. Strategic industry investments: CEL has conducted mid-to-long-term strategic investments in aircraft leasing and elderly care services through its principal investment business, tapping the huge potential development of the industries for great returns.

Aircraft leasing is one of CEL's key strategic industry investments. As of 30 June 2018, the Group holds a 33.58% stake in CALC. The profit attributable to the Group increased to HK\$101 million in the first half of 2018, up 20% compared with the same period last year. As for operation, CALC's fleet reached 115 aircraft with continuously increasing operational leasing revenue. In June 2018, China Aircraft Disassembly Centre, which is located in Harbin, commenced operation. It has a total area of 300,000m<sup>2</sup> and is the first large scale aircraft recycling base of its kind in Asia. It has seven areas of business, namely purchasing, selling, leasing, disassembling, modification, re-handling and maintenance, which provide diversified aircraft recycling solutions. As for asset management, CALC promoted its asset securitisation during the period under review, including the first-publicly listed aircraft ABS on the Shanghai Stock Exchange, as well as launched its international aircraft leasing investment vehicle, CAG. CAG focuses on investing in aircraft assets with leasing contracts for global airlines, in order to achieve rental realisation. This marks an important step in CALC's strategic transformation towards an asset-light business model.

## CEL'S DIRECT OPERATING BUSINESS – PRINCIPAL INVESTMENT BUSINESS

Meanwhile, CEL is proactively participating in the development of China's elderly care services industry. The Group currently holds a 67.27% stake in Huichen Elderly Care, which establishes elderly care facilities in China's main cities. Radiating from its footholds in Beijing and Shanghai, Huichen Elderly Care has presence in many major cities across China and currently operates 10 elderly care facilities, two skilled nursing homes and three elderly day care centres. As the main operating platform of CEL's investment in elderly care services, Huichen Elderly Care, together with the senior care institution Enjoy Twilight Years in Jiangsu Province, with over 7,000 beds under management in total, seek to rapidly build up their scale nationally.

3. Fund Incubator: CEL aims to nurture fund projects by leveraging its own financial resources and carrying out different kinds of early investments to build up its investment project reserve pool. When projects mature, the Group may inject them into the fund business system and turn it into warehouse deals under a particular fund, which helps attract external fund investors. This nurturing method has greatly contributed to the formation of fund products with desirable structure and fee-charging mechanisms.

During the period under review, CEL invested in Lifetech Scientific, becoming its largest shareholder and further enhancing CEL's allocation in the medical equipment field. Lifetech Scientific is one of China's leading cardiovascular medical equipment companies with a diverse range of products for the treatment of cardiovascular illnesses, laying a solid foundation for the upcoming Medical and Healthcare Fund III which is now under construction.

## CEL'S DIRECT OPERATING BUSINESS – PRINCIPAL INVESTMENT BUSINESS

4. Treasury Management: Aside from maintaining the Group's capital liquidity, CEL's principal investment business is also responsible for optimising its investment returns. Adopting stringent risk management practices, the Group provides structural financing services for external enterprises or invested enterprises to seize desirable returns.

During the period under review, as the US Federal Reserve and many central banks around the world increased interest rates, there was a general hike in global interest rates. Against this backdrop, CEL's interest revenue from providing structural financing services to enterprises reached HK\$153 million, up 50% compared with the same period last year.

As of 30 June 2018, the fair value of equity interest and cash and cash equivalents held by CEL in the principal investment business segment were as follows:

<b>Principal investment category (in HK\$ billion)</b>	<b>30 June 2018</b>
Proprietary investment	17.3
Strategic industry investment	2.4
Fund incubator	2.5
Treasury management	3.3

## STRATEGIC INVESTMENT

### 3. Strategic Investment Everbright Securities

As of 30 June 2018, the Group held 982 million shares in Everbright Securities Company Limited (“Everbright Securities”), accounting for approximately 21.30% of the total equity of Everbright Securities at a fair value of HK\$12.8 billion.

During the first half of 2018, the performance of the A-share market was tumultuous, with the SSE Composite Index and the Shenzhen Composite Index dropping 13.90% and 15.36% respectively. With the tightening of financial regulations, increased China-US trade frictions and other macro-economic factors, overall trading frequency slowed down and the investment bank business shrank, leading to a decrease in its commissions business’ income and net profit growth. CEL’s share of profits from Everbright Securities was down by 22% year-on-year to HK\$271 million.

In May 2018, the Group sold 92 million shares or 2.00% of Everbright Securities, gaining HK\$89 million of profit after tax. The Group will continue to centralise resources to focus on the strategic direction of developing asset and investment business.

#### China Everbright Bank

As of 30 June 2018, the Group held 1.57 billion shares in China Everbright Bank Company Limited (“Everbright Bank”), measured at a fair value of HK\$684.9 million, amounting to approximately 3.00% of Everbright Bank’s total equity.

Due to continuous improvement in interest spread in 2017, China Everbright Bank’s increased dividend payout, and hence, the Group received a pre-tax dividend payment of HK\$348 million from Everbright Bank during the period under review, up 99% from 2017.

## OUTLOOK

### **Outlook**

Looking ahead, global economies are expected to develop divergently – the US will achieve a relatively steady growth, but the Trump administration’s stance on trade protectionism, shifts in monetary policy across major economies including the US and European countries, and global liquidity tightening are likely to have a negative impact on the world economy, hence, the marginal growth momentum in China is likely to weaken. Despite this, China’s resilient economy and potential growth in strong domestic demand both provide considerable room for the country’s policymakers to leverage fiscal and monetary policies to counter against the impacts of the ongoing trade war.

In April 2018, the Chinese government published the Guidelines for Regulating the Asset Management Business of Financial Institutions (“New Asset Management Regulations”) and released its relevant Requests for Opinions on operational details in July subsequently, with an aim to further standardise financial institutions’ private asset management businesses, posing negative impact to mainland private equity industry. As such, uncertainties will cause increased market unpredictability and make it more difficult for private equity funds to source capital. Meanwhile, global geopolitical and policy risks may also have repercussions for cross-border asset managers’ global investment positioning.

## OUTLOOK

From CEL's perspective, despite the slowdown of the asset management market, over the course of 2018, the more stringent asset management policies are likely to encourage capital to flow into leading asset managers with strong risk management capabilities. As a result, CEL is likely to be benefited. For fundraising, indebted to a diverse selection of fund offerings that cover dozens of sectors and various regions across the world, the Group is able to effectively diversify relevant investment risks by investing in a broad range of industries and locations. This, in addition to the Group's remarkable investment track record and consistent innovation of fund offerings, reflected by its current efforts to establish funds including the Aviation-focused Silk Road Fund, New Economy USD Fund and Hunan-CEL Investment Fund, is expected to support the steady pace of CEL's fundraising efforts over a certain period of time. With respect to investments, it is estimated that the adjustment in stretched asset prices around the globe caused by the pullback in the first half of the year, along with the consistent economic recovery seen in the US and Europe, will continue to offer many cross-border investment opportunities during the second half of 2018. Through growing overseas funds, CEL will continuously identify reliable overseas investment opportunities to optimise its overall investment portfolio. Regarding divesting strategies, CEL has accumulated a rich reserve of ready-for-divestment projects over the years that can be harvested in the foreseeable future, and the Group will seek to divest eligible projects through different channels such as IPOs and mergers and acquisitions, according to actual market conditions during the second half of the year, with a view to maintaining the stable divestment gains each year.

Upholding the philosophy of "The Power To Transform", CEL will focus on its direct operating business in an effort to become a leading player in China's cross-border investment and asset management industry. The Group believes that its extensive investment and operating experience in the capital market, as well as its bold ambition and the spirit of transformation, will allow it to capture growth opportunities in the global market, whereby it will be able to deliver stable and competitive returns for its fund investors, shareholders and business partners.

## DISCLOSURE OF INTERESTS

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

As at 30 June 2018, 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
Chen Shuang	50,000	50,000	–	–	0.00%
Tang Chi Chun, Richard	719,000	719,000	–	–	0.04%
Yin Lianchen	26,000	26,000	–	–	0.00%
Chung Shui Ming, Timpson	50,000	50,000	–	–	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	100,000	100,000	–	–	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 directors	Total	Personal interest	Family interest	Corporate interest	% of total issued shares
Chen Shuang	400,000	400,000	–	–	0.06%
Tang Chi Chun	200,000	200,000	–	–	0.03%

**2. Long position in underlying shares of equity derivatives of the Company: Nil****3. Long position in underlying shares of equity derivatives of an associated corporation of the Company, namely CALC:**

Name of director	Capacity/nature of interest	Number of underlying shares held	% of total issued shares
Chen Shuang	beneficial owner	10,000,000 (Note)	1.47%

Note: These interests represented the interests in underlying shares in respect of the share options granted by CALC to its directors 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 2018, 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 2018 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 2018 amounting to 5% or more of the ordinary shares in issue:

#### Long Position

Name of shareholders	Capacity/nature of interest	No. of shares held	% of total issued shares
Central Huijin Investment Limited ("Huijin") (Note (1))	Interest of controlled corporation	838,306,207	49.74%
China Everbright Group Ltd. ("China Everbright Group") (Note (2))	Interest of controlled corporation	838,306,207	49.74%

Notes:

- (1) Huijin is indirectly wholly-owned by the State Council of the People's Republic of China and holds 55.67% equity interest in China Everbright Group.
- (2) China Everbright Group holds 100% of the issued shares of China Everbright Holdings Company Limited ("CE Hong Kong"). CE Hong Kong holds (1) 100% of the issued shares of Datten Investments Limited, which in turn holds 100% of the issued shares of Honorich Holdings Limited ("Honorich"), and (2) 100% of the issued shares of Everbright Investment & 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

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

Save as disclosed above, as at 30 June 2018, the Company had not been notified of any other persons (other than the directors or chief executives of the Company) who had interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

### **Employees**

As at 30 June 2018, the Group had 347 employees. Total staff costs for the period under review amounted to approximately HK\$254 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

### Corporate Governance Code

The Company has complied with all the code provisions of 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 2018 except that, a non-executive director of the Company was not appointed for a specific term for the period from 1 January 2018 to 15 March 2018. 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. However, pursuant to the Company’s articles of association, each director is subject to retirement by rotation and re-election at the Company’s annual general meetings at least once every three years.

The said non-executive director resigned as a director with effect from 16 March 2018. The Company has therefore complied with the code provision A.4.1 of the CG Code since 16 March 2018.

### 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 to all directors, all 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 2018.

## CORPORATE GOVERNANCE

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

As at the date of this report, the Audit and Risk Management Committee comprises Dr. Chung Shui Ming, Timpson, Dr. Lin Zhijun and Mr. Law Cheuk Kin, Stephen. The Committee is 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 2018.

### **Remuneration Committee**

As at the date of this report, the Remuneration Committee has four members comprising Dr. Cai Yunge, Chairman of the Board, and three independent non-executive directors, namely, Dr. Lin Zhijun, Dr. Chung Shui Ming, Timpson and Mr. Law Cheuk Kin, Stephen. The Committee is chaired by Dr. Lin Zhijun, an independent non-executive director.

### **Nomination Committee**

As at the date of this report, the Nomination Committee has four members comprising Dr. Cai Yunge, Chairman of the Board, and three independent non-executive directors, namely, Dr. Lin Zhijun, Dr. Chung Shui Ming, Timpson and Mr. Law Cheuk Kin, Stephen. The Committee is chaired by Dr. Lin Zhijun, an independent non-executive director.

## OTHER INFORMATION

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

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 China Everbright Holdings Company Limited (“CE Hong Kong”) 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 CE Hong Kong 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 CE Hong Kong 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.

## OTHER INFORMATION

**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 CE Hong Kong (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 CE Hong Kong (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

### **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 CE Hong Kong (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 CE Hong Kong 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 31 July 2017, the Company as borrower entered into a facility agreement with an independent third party bank as lender for a term loan of up to US\$80 million (or in equivalent Hong Kong dollars) for a period of 60 months from the date of the said facility agreement. Under the said facility agreement, it will be an event of default if CE Hong Kong (i) ceases to beneficially own, directly or indirectly, at least 40% of the total issued share capital 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 agreement together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.



## OTHER INFORMATION

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

On 18 January 2018, the Company as borrower 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 Euro dollars) for a period of 3 years from the date of each drawdown and (ii) a revolving demand loan of up to US\$100 million (or in equivalent Hong Kong dollars or Euro dollars) which will be available for drawdown for a period of 12 months from the date of the said facility letter and shall be fully repaid within 12 months from the end of the abovementioned period. Pursuant to the said facility letter, the total outstanding balance of the facilities shall not at any time exceed US\$100 million. Under the said facility letter, it will be an event of default if CE Hong Kong 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 30 April 2018, the Company entered into a supplementary facility letter with an independent third party bank as lender to an uncommitted revolving loan facility dated 18 December 2015 of up to US\$300 million (or in equivalent Hong Kong dollars or Renminbi), pursuant to which the lender will continue to provide the revolving loan facility to the Company for a period of one year from the date of the acceptance of such supplementary facility letter, which is subject to a further extension for one more year at the lender's sole discretion. Pursuant to the terms of the revolving loan facility, it will be an event of default if CE Hong Kong ceases to be the single largest shareholder of the Company. Upon the occurrence of the above event, the facilities under the revolving loan facility together with all accrued interest and any other amounts accrued under the revolving loan facility may become immediately due and payable.

On 30 April 2018, 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 an uncommitted revolving loan 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 CE Hong Kong (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.

As at 30 June 2018, the circumstances giving rise to the obligations under Rules 13.18 of the Listing Rules continued to exist.

## OTHER INFORMATION

### 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 2017 annual report are as follows:

Mr. Chen Shuang, the Chief Executive Officer of the Company, is the chairman and a non-executive director of Kinergy Corporation Ltd. (Stock Code: 3302.HK), which has been listed on The Stock Exchange of Hong Kong Limited since 18 July 2018.

Dr. Chung Shui Ming, Timpson, an Independent Non-executive Director of the Company, was appointed as an Independent Non-executive Director of Orient Overseas (International) Limited (Stock Code: 316.HK) with effect from 3 August 2018.

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\$0.26 per share for the six months ended 30 June 2018 (2017: HK\$0.25 per share) to those shareholders whose names appear on the register of members of the Company on 28 September 2018. Dividend cheques will be dispatched to shareholders of the Company on 12 October 2018.

### Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 26 September 2018 to Friday, 28 September 2018 (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 Monday, 24 September 2018.

### 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 2018