



光大控股

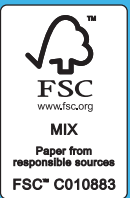
EVERBRIGHT

Expanding our  
**Horizons**

Interim Report 2014

Stock Code : 165





# Corporate Information

## Board of Directors

Tang Shuangning	Chairman
Liu Jun (appointed on 27 August 2014)	Deputy Chairman
Chen Shuang	Chief Executive Officer
Tang Chi Chun, Richard	Chief Financial Officer
Jiang Yuanzhi	Chief Investment Officer
Wang Weimin <sup>#</sup>	
Seto Gin Chung, John <sup>*</sup>	
Lin Zhijun <sup>*</sup>	
Chung Shui Ming, Timpson <sup>*</sup>	
Zang Qiutao (resigned on 27 August 2014)	

<sup>#</sup> Non-executive Director

<sup>\*</sup> Independent Non-executive Directors

## 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 (Asia)  
Corporation Limited  
Bank of Communications Company, Limited  
Shanghai Pudong Development Bank  
Company, Limited  
The Bank of East Asia, Limited  
Standard Chartered Bank  
(Hong Kong) Limited

## Legal Advisors

Grandall Legal Group  
(Shanghai) Office

## Share Registrars

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

## Auditors

KPMG

## Website Address

<http://www.everbright165.com>

## Investor Relations Contact

[ir@everbright165.com](mailto:ir@everbright165.com)

## Stock Code

165

## Interim Results

The Board of Directors of China Everbright Limited (the “Company”) announces the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2014. The interim financial report is unaudited, but has been reviewed by KPMG (the auditors 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 58 to 59. The interim financial report has also been reviewed by the Company’s Audit and Risk Management Committee.

# Consolidated Income Statement

For the six months ended 30 June 2014

	Notes	1 January to 30 June 2014 HK\$'000	1 January to 30 June 2013 HK\$'000 (Restated)
Turnover	3	2,970,235	6,150,559
Operating income	3	777,343	611,933
Other net income	3	954,733	371,912
Staff costs		(138,972)	(124,198)
Depreciation expenses		(10,794)	(9,871)
Impairment loss on available- for-sale securities		(69,683)	(19,090)
Impairment loss on amount due from an investee company		(12,125)	(1,520)
Impairment loss on debtors, deposits and prepayments		(51,000)	–
Other operating expenses		(283,159)	(72,507)
Profit from operations		1,166,343	756,659
Finance costs		(109,425)	(47,781)
Share of profits less losses of associates, as per the associates' financial statements	8	268,966	343,625
Share of profits less losses of joint ventures, as per the joint ventures' financial statements	9	52,778	22,744
Adjustments to share of profits less losses to conform with the Group's accounting policies	1	11,875	(83,421)
Profit before taxation		1,390,537	991,826
Income tax	4	(35,877)	(28,435)
<b>Profit for the period</b>		<b>1,354,660</b>	963,391
<b>Profit attributable to equity shareholders of the Company</b>		<b>1,152,226</b>	736,598
<b>Non-controlling interests</b>		<b>202,434</b>	226,793
<b>Profit for the period</b>		<b>1,354,660</b>	963,391
<b>Basic and diluted earnings per share</b>	7	<b>HK\$0.680</b>	HK\$0.428

The notes on pages 12 to 57 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 5.

# Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

Notes	1 January to 30 June 2014 HK\$'000	1 January to 30 June 2013 HK\$'000
<b>Profit for the period</b>	<b>1,354,660</b>	963,391
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
Items that will not be reclassified subsequently to income statement		
– Share of other comprehensive income of a joint venture, as per the joint venture's financial statements	–	277
Items that may be reclassified subsequently to income statement		
– Net movement in investment revaluation reserve of available-for-sale securities	6 (761,824)	(73,446)
– Share of other comprehensive income of associates, as per the associates' financial statements	(80,223)	56,886
– Share of other comprehensive income of a joint venture, as per the joint venture's financial statements	(55,149)	–
– Adjustments to share of other comprehensive income of associates to conform with the Group's accounting policies	1 (14,985)	105,327
– Exchange reserve	(182,107)	128,896
	<b>(1,094,288)</b>	217,940
<b>Total comprehensive income for the period</b>	<b>260,372</b>	1,181,331

# Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

	1 January to 30 June 2014 HK\$'000	1 January to 30 June 2013 HK\$'000
<b>Attributable to:</b>		
Equity shareholders of the Company	129,571	873,145
Non-controlling interests	130,801	308,186
<b>Total comprehensive income for the period</b>	<b>260,372</b>	1,181,331

The notes on pages 12 to 57 form part of this interim financial report.

# Consolidated Balance Sheet

As at 30 June 2014

	Notes	30 June 2014 HK\$'000	31 December 2013 HK\$'000
<b>Non-current assets</b>			
Fixed assets		565,075	574,979
Amounts due from investee companies	11	238,932	159,469
Investments in associates	8(a)	10,888,193	10,684,673
Investments in joint ventures	9(a)	854,547	721,404
Available-for-sale securities	10	11,983,915	13,042,551
Financial assets designated at fair value through profit or loss	11	4,240,939	3,328,790
Advances to customers	12	1,305,008	241,765
		<b>30,076,609</b>	<b>28,753,631</b>
<b>Current assets</b>			
Advances to customers	12	613,268	2,294,352
Amount due from an investee company		–	9,542
Amounts due from associates	8(c)	47,527	19,818
Amounts due from joint ventures	9(c)	4,624	4,435
Debtors, deposits and prepayments	13	1,534,170	1,558,192
Trading securities	14	857,591	649,822
Cash and cash equivalents		4,705,896	3,764,978
		<b>7,763,076</b>	<b>8,301,139</b>
<b>Current liabilities</b>			
Amount due to an investee company		(78,503)	(80,339)
Amount due to a joint venture	9(d)	(491)	(2,197)
Trading securities	14	(285,498)	(256,921)
Bank loans	15	(3,084,043)	(2,009,663)
Amount due to a fellow subsidiary and shareholder	16	(500,000)	(500,000)
Creditors, deposits received and accrued charges	17	(873,017)	(749,835)
Financial liability designated at fair value through profit or loss		(7,101)	(7,268)
Notes payable	18	(47,000)	(47,000)
Provision for taxation		(276,498)	(302,561)
		<b>(5,152,151)</b>	<b>(3,955,784)</b>
<b>Net current assets</b>		<b>2,610,925</b>	<b>4,345,355</b>
<b>Total assets less current liabilities</b>		<b>32,687,534</b>	<b>33,098,986</b>



# Consolidated Balance Sheet

As at 30 June 2014

	Notes	30 June 2014 HK\$'000	31 December 2013 HK\$'000
<b>Non-current liabilities</b>			
Bank loans	15	(810,457)	(1,085,274)
Deferred tax liabilities		(273,734)	(284,799)
		(1,084,191)	(1,370,073)
<b>NET ASSETS</b>		<b>31,603,343</b>	<b>31,728,913</b>
<b>CAPITAL AND RESERVES</b>			
Share capital: nominal value	20	–	1,720,100
Other statutory capital reserves		–	7,897,997
Share capital and other statutory capital reserves	20	9,618,097	9,618,097
Other reserves		18,517,759	19,085,890
<b>Total equity attributable to equity shareholders of the Company</b>		<b>28,135,856</b>	<b>28,703,987</b>
Non-controlling interests		3,467,487	3,024,926
<b>TOTAL EQUITY</b>		<b>31,603,343</b>	<b>31,728,913</b>

The notes on pages 12 to 57 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

Attributable to equity shareholders of the Company

Notes	Share	Share	Option	Investment	Capital	Goodwill	Capital	Exchange	Retained	Non-		Total
	capital	premium	premium	revaluation	redemption	reserve	reserve	reserve	earnings	Total	controlling	equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2014	1,720,100	7,890,967	1,242	5,158,809	7,030	(668,499)	182,900	2,027,007	12,384,431	28,703,987	3,024,926	31,728,913
Net investment by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	311,760	311,760
Transfer of available-for-sale securities by the Company to Social Security Fund	-	-	-	(5,895)	-	-	-	-	(2,115)	(8,010)	-	(8,010)
Share repurchased	(34,846)	-	-	-	34,846	-	-	-	(352,641)	(352,641)	-	(352,641)
Transition to no-par value regime on 3 March 2014	7,932,843	(7,890,967)	-	-	(41,876)	-	-	-	-	-	-	-
Dividends paid 5(b)	-	-	-	-	-	-	-	-	(337,051)	(337,051)	-	(337,051)
Profit for the period	-	-	-	-	-	-	-	-	1,152,226	1,152,226	202,434	1,354,660
Other comprehensive income for the period	-	-	-	(663,619)	-	-	-	(359,036)	-	(1,022,655)	(71,633)	(1,094,288)
As at 30 June 2014	9,618,097	-	1,242	4,489,295	-	(668,499)	182,900	1,667,971	12,844,850	28,135,856	3,467,487	31,603,343
As at 1 January 2013	1,720,562	7,890,967	688	5,769,065	6,568	(668,499)	182,900	1,669,274	11,520,477	28,112,002	1,844,277	29,956,279
Net investment by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	184,155	184,155
Dividends paid 5(b)	-	-	-	-	-	-	-	-	(258,084)	(258,084)	-	(258,084)
Profit for the period	-	-	-	-	-	-	-	-	736,598	736,598	226,793	963,391
Other comprehensive income for the period	-	-	277	(136,039)	-	-	-	272,309	-	136,547	81,393	217,940
As at 30 June 2013	1,720,562	7,890,967	965	5,633,026	6,568	(668,499)	182,900	1,961,583	11,998,991	28,727,063	2,336,618	31,063,681

The notes on pages 12 to 57 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014

	1 January to 30 June 2014 HK\$'000	1 January to 30 June 2013 HK\$'000
<b>Operating activities</b>		
Cash generated from operations	503,901	1,071,094
Tax paid	(53,694)	(82,378)
<b>Net cash generated from operating activities</b>	<b>450,207</b>	988,716
<b>Investing activities</b>		
Purchase of available-for-sale securities	(781,712)	(936,741)
Proceeds from disposal of available-for-sale securities	821,975	497,165
Purchase of financial assets designated at fair value through profit or loss	(597,209)	(178,387)
Net cash acquired in obtaining control of a subsidiary	77,877	-
Net disposal proceeds from losing control of subsidiaries	407,494	-
Other cash flows arising from investing activities	20,819	60,082
<b>Net cash used in investing activities</b>	<b>(50,756)</b>	(557,881)
<b>Financing activities</b>		
Net proceeds from bank loans	799,563	34,159
Dividends paid	(337,051)	(258,084)
Proceeds from loan from a fellow subsidiary and shareholder	-	1,000,000
Other cash flows arising from financing activities	134,643	184,155
<b>Net cash used in financing activities</b>	<b>597,155</b>	960,230
<b>Net increase in cash and cash equivalents</b>	<b>996,606</b>	1,391,065
<b>Cash and cash equivalents</b>		
Beginning of the period	2,833,707	2,401,106
Exchange rate adjustments	(11,882)	(3,754)
End of the period	<b>3,818,431</b>	3,788,417
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balance and cash - general accounts	4,705,896	4,052,789
Deposit pledged	(887,465)	(264,372)
End of the period	<b>3,818,431</b>	3,788,417

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014

## Net cash acquired in obtaining Control of a Subsidiary

During the period, the Group obtained control of a subsidiary. The fair value of assets acquired and liabilities assumed were as follows:

	<b>1 January to 30 June 2014 HK\$'000</b>
Net assets acquired:	
Cash at bank	188,324
Accrued charges	(33)
Net assets acquired	188,291
Share of net assets by non-controlling interests	(83,978)
Goodwill on acquisition	6,134
Consideration paid in cash	110,447
Less: cash and cash equivalents of subsidiary acquired	(188,324)
Net cash acquired in obtaining control of a subsidiary	(77,877)

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014

## Losing Control of Subsidiaries

During the period, the Group lost control of several subsidiaries and recognised the remaining interests as investments in associates which were exempted from applying the equity method and was recognised as financial assets designated at fair value through profit or loss. The fair value of assets and liabilities disposed of were as follows:

	<b>1 January to 30 June 2014 HK\$'000</b>
Proceeds from losing control of subsidiaries	407,953
Less: Cash of subsidiaries	(459)
Net proceeds from losing control of subsidiaries	407,494
Less: Other debtors and prepayment	(507,405)
Add: Creditors, deposit received and accrued charges	630
	(99,281)
Add: Investments in associates at fair value	99,566
	285
Exchange difference	533
Gain on losing control of subsidiaries	818

The notes on pages 12 to 57 form part of this interim financial report.

# 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 27 August 2014.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for those described in note 2.

In view of the development of the Group’s business strategies, management has re-considered the components of the Group’s principal activities and considered that the income arising from trading securities forms part of the Group’s operating income. Accordingly, the “net realised gain/(loss) on trading securities” and “net unrealised gain/(loss) on trading securities” are now reclassified from “other net income” to “operating income”. Comparative figures have been restated to conform with current period’s presentation.

The adjustments made to the financial information of associates and joint ventures to conform them to the Group’s accounting policies are disclosed separately in the consolidated income statement and consolidated statement of comprehensive income.

Management of the Group believes that such presentations are more informative to users of the financial statements.

## 2. Changes in Accounting Policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

Amendments to HKFRS 32, *Offsetting financial assets and financial liabilities*

Amendments to HKFRS 36, *Recoverable amount disclosures for non-financial assets*

# Notes to the Financial Report

## 2. Changes in Accounting Policies (continued)

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

The impacts of these developments are discussed below:

### **Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities**

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

### **Amendments to HKAS 32, Offsetting financial assets and financial liabilities**

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

### **Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets**

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal. These amendments do not have an impact on the Group's interim financial report as the Group does not have an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal.

# 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 and gross rental income from investment properties 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 2014</b>	1 January to 30 June 2013
	<b>HK\$'000</b>	HK\$'000 (Restated)
<b>Operating income</b>		
Consultancy and management fee income	<b>82,378</b>	135,790
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	<b>26,964</b>	19,727
– advances to customers	<b>168,536</b>	153,866
– unlisted debt securities	<b>23,823</b>	7,061
– others	<b>–</b>	5,977
Dividend income		
– listed investments	<b>367,046</b>	169,960
– unlisted investments	<b>114,125</b>	101,920
Net realised gain/(loss) on trading securities		
– equity securities	<b>(5,801)</b>	20,593
– debt securities	<b>(214)</b>	(3,580)
– derivatives	<b>1,423</b>	14,733
Net unrealised gain/(loss) on trading securities		
– equity securities	<b>(3,158)</b>	(1,727)
– debt securities	<b>(508)</b>	(29,700)
– derivatives	<b>966</b>	15,932
Gross rental income from investment properties	<b>1,763</b>	1,381
	<b>777,343</b>	611,933



# Notes to the Financial Report

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

(continued)

	<b>1 January to 30 June 2014 HK\$'000</b>	1 January to 30 June 2013 HK\$'000 (Restated)
<b>Other net income</b>		
Net realised gain on disposal of available-for-sale securities	<b>375,077</b>	317,529
Unrealised gain on financial assets designated at fair value through profit or loss	<b>594,180</b>	44,500
Unrealised loss on financial liabilities designated at fair value through profit or loss	–	(7,602)
Unrealised loss on note payable	–	(15,940)
Reversal of impairment loss on amount due from an investee company	–	14,484
Gain on losing control of subsidiaries	<b>818</b>	–
Net exchange (loss)/gain	<b>(41,293)</b>	3,568
Others	<b>25,951</b>	15,373
	<b>954,733</b>	371,912

# Notes to the Financial Report

## 4. Income Tax

The provision for Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the six months ended 30 June 2014. Taxation for overseas subsidiaries is calculated at the appropriate current rates of taxation in the relevant countries.

The amount of taxation charged to the consolidated income statement represents:

	1 January to 30 June 2014 HK\$'000	1 January to 30 June 2013 HK\$'000
Current taxation		
– Hong Kong profits tax	–	(10,000)
– Overseas taxation	(80,282)	(34,857)
– Over provision in respect of Hong Kong profits tax in prior years	51,374	24,700
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	(6,969)	(8,278)
Income tax expense	(35,877)	(28,435)

## 5. Dividends

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

	1 January to 30 June 2014 HK\$'000	1 January to 30 June 2013 HK\$'000
– Interim dividend declared after the balance sheet date of HK\$0.15 (2013: HK\$0.11) per share	252,788	189,262

The directors proposed an interim dividend of HK\$0.15 per share (2013: HK\$0.11 per share) for the six months period ended 30 June 2014. The proposed dividends are not reflected as dividend payable in the financial statements.

## Notes to the Financial Report

### 5. Dividends (continued)

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

	1 January to 30 June 2014 HK\$'000	1 January to 30 June 2013 HK\$'000
– Final dividend in respect of the previous financial year, approved and paid during the period of HK\$0.20 (2013: HK\$0.15) per share	337,051	258,084

### 6. Other Comprehensive Income

Reclassification adjustments relating to components of the other comprehensive income

	1 January to 30 June 2014 HK\$'000	1 January to 30 June 2013 HK\$'000
Available-for-sale securities:		
Changes in fair value recognised during the period	(456,430)	233,530
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	(375,077)	(326,066)
– impairment losses	69,683	19,090
Net movement in investment revaluation reserve during the period recognised in other comprehensive income	(761,824)	(73,446)

# Notes to the Financial Report

## 7. 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 2014 is based on the profit attributable to equity shareholders of the Company of HK\$1,152,226,000 (six months ended 30 June 2013: HK\$736,598,000) and the weighted average number of 1,695,649,756 shares (six months ended 30 June 2013: 1,720,561,712 shares) in issue during the period.

## 8. Investments in Associates

### (a) Investments in associates

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Carrying value, net	<b>10,888,193</b>	10,684,673

### (b) As at 30 June 2014, particulars of principal associates of the Group are as follows:

Name of associate	Place of incorporation/ operation	Principal activities	Percentage of equity interest held by the Company
Everbright Securities Company Limited <sup>#</sup> ("Everbright Securities")	The PRC	Securities operations (note 1)	33.33%
Everbright Securities (International) Limited	British Virgin Islands	Securities operations (note 1)	49.0%*
首譽光控資產管理有限公司 (formerly首譽資產管理有限公司)	The PRC	Assets management (note 2)	30.0%**
重慶融科光控實業發展有限公司	The PRC	Investment Holding (note 3)	24.99%**

# Notes to the Financial Report

## 8. Investments in Associates (continued)

### (b) As at 30 June 2014, particulars of principal associates of the Group are as follows: (continued)

# Market value of the listed shares in Mainland China as at 30 June 2014 was HK\$11,243,737,000 (31 December 2013: HK\$12,594,885,000).

\* Held indirectly. The remaining 51% held by the above associate of the Group – Everbright Securities.

\*\* Held indirectly.

Note 1: Everbright Securities and Everbright Securities (International) Limited are the Group's strategic investments to capitalise on the growth of securities markets in the Mainland China and Hong Kong.

Note 2: 首譽光控資產管理有限公司 is one of the Group's assets management companies. In August 2014, 首譽資產管理有限公司 changed its name as 首譽光控資產管理有限公司.

Note 3: 重慶融科光控實業發展有限公司 is one of the Group's investment holding companies.

For the six months ended 30 June 2014, Everbright Securities has recorded an after tax profit of RMB381 million (six months ended 30 June 2013: RMB811 million) and the Group's share of profit as per the associates' financial statements, under equity accounting method, amounted to HK\$160 million (six months ended 30 June 2013: HK\$339 million). In addition to the remaining 49% stake of Everbright Securities (International) Limited, the Group is entitled to the results through its 33.33% share of Everbright Securities, which has a 51% stake in Everbright Securities (International) Limited.

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

### (c) Amounts due from associates

Amounts due from associates are unsecured, interest free and have no fixed terms of repayment.

# Notes to the Financial Report

## 9. Investments in Joint Ventures

### (a) Investments in joint ventures

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Carrying value, net	854,547	721,404

### (b) As at 30 June 2014, details of the Group's 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 (note 1)	RMB370,000,000	50.0%*
China Aircraft Leasing Group Holdings Limited ("CALGH")	Cayman Islands	Investment holding (note 2)	HK\$46,895,000	44.13%*
山東高速光控產業投資基金管理有限公司	The PRC	Fund management (note 3)	RMB200,000,000	48.0%*

\* 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 the Mainland China.

# Notes to the Financial Report

## 9. Investments in Joint Ventures (continued)

### (b) As at 30 June 2014, details of the Group's investments in joint ventures are mainly as follows: (continued)

Note 2: CALGH is a joint venture of the Group to capture opportunities arising from the rapid growth of aviation and commercial aviation financing, investment and leasing activities in the Mainland China.

CALGH was listed in the Hong Kong Stock Exchange on 11 July 2014 (the "Date") and accordingly, the Group's equity interests in CALGH were diluted to 35%. The deemed gain on disposal is estimated to be approximately HK\$0.1 billion. The investment will be reclassified to investments in associates subsequent to the Date. The Group is subject to a lock-up provision which restricted the Group from selling equity security of CALGH on or before 10 January 2015.

Note 3: 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 the Mainland China.

All of the above joint ventures are unlisted corporate entities whose quoted market price is not available as at 30 June 2014. They are accounted for using the equity method in the consolidated financial statements.

### (c) Amounts due from joint ventures

Amounts due from joint ventures are unsecured, interest free and have no fixed terms of repayment.

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

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

# Notes to the Financial Report

## 10. Available-For-Sale Securities

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
At fair value:		
Listed equity securities:		
– in Hong Kong	329,615	409,169
– outside Hong Kong	5,378,488	6,211,906
Unlisted equity securities		
– in Hong Kong	455,480	403,911
– outside Hong Kong	5,105,082	5,375,160
Listed debts securities	74,319	–
Unlisted debts securities	118,621	94,087
At cost <sup>(i)</sup> :		
Unlisted equity securities	522,310	548,318
	<b>11,983,915</b>	13,042,551

The Group's investment in unlisted equity securities with fair value of HK\$132,480,000 is subject to a lock-up provision which restricted the Group from selling the equity securities on or before 5 June 2015.

- (i) At 30 June 2014, the investments were measured at cost less impairment because the range of reasonable fair value measurement is significant and the probabilities of the various estimates within the range cannot be reasonably assessed.

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
Fair value of available-for-sale securities that were individually determined to be impaired as at period/year end:		
Listed equity securities		
– in Hong Kong	–	15,811
– outside Hong Kong	9,409	9,330
Unlisted equity securities	92,238	88,675
	<b>101,647</b>	113,816



## Notes to the Financial Report

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

As at 30 June 2014, certain of the Group's available-for-sale equity securities were individually determined to be impaired on the basis of a significant or prolonged decline in their fair value below cost.

The Group held the following principal available-for-sale securities as at 30 June 2014:

Company name	Place of incorporation	Principal activities	Effective equity interest held by the Group
China Everbright Bank Company Limited ("Everbright Bank") <sup>(i)</sup>	The PRC	Banking operations	3.51%

- (i) As at 30 June 2014, the carrying value of interests in Everbright Bank exceeded 10% of total assets of the Group.

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

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
At fair value:		
Hong Kong listed equity securities	47,799	52,079
Overseas listed equity securities	1,334,037	68,490
Overseas unlisted equity securities	1,994,584	2,569,355
Overseas unlisted convertible preference shares	233,069	176,189
Overseas unlisted debt securities	631,450	462,677
	<b>4,240,939</b>	3,328,790

# Notes to the Financial Report

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

The Group's investment in overseas listed equity securities with fair value of HK\$1,261,000,000 is subject to a lock-up provision which restricted the Group from selling the equity securities on or before 21 January 2015.

As at 30 June 2014, the Group's overseas listed and unlisted equity securities amounting to a fair value of HK\$2,931,824,000 (31 December 2013: HK\$2,243,493,000) were investments in associates and joint ventures. These investments were exempted from applying the equity method and were recognised as financial assets designated at fair value through profit or loss.

As at 30 June 2014, balances of HK\$238,932,000 (31 December 2013: HK\$159,469,000) were due from these investee companies which were associates and were 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.

## 12. Advances to Customers

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
<b>Non-current assets</b>		
Term loans to customers		
– secured	938,937	–
– unsecured	366,071	241,765
	<b>1,305,008</b>	241,765
<b>Current assets</b>		
Term loans to customers		
– secured	360,069	2,035,205
– unsecured	253,199	259,147
	<b>613,268</b>	2,294,352

## Notes to the Financial Report

### 12. Advances to Customers (continued)

Certain term loans to customers are secured by unlisted securities, third parties guarantees or leasehold land and properties in Mainland China (see note 24(a)).

### 13. Debtors, Deposits and Prepayments

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
Accounts receivable, net	<b>998,113</b>	1,157,139
Deposits, prepayments, interest and other receivables	<b>644,057</b>	458,053
	<b>1,642,170</b>	1,615,192
Less: Allowance of doubtful debt	<b>(108,000)</b>	(57,000)
	<b>1,534,170</b>	1,558,192

Accounts receivable are mainly amounts due from brokers, collectable in cash within one month.

As at 30 June 2014, the Group's receivable of HK\$426,388,000 (31 December 2013: HK\$426,386,000) was individually determined to be impaired. Allowance for doubtful debt of HK\$51,000,000 (31 December 2013: HK\$57,000,000) was recognised during the period.

# Notes to the Financial Report

## 14. Trading Securities

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
<b>Current assets</b>		
At fair value:		
Listed equity securities:		
– in Hong Kong	78,306	98,022
– outside Hong Kong	346,286	150,135
Listed debt securities:		
– outside Hong Kong	10,769	36,302
Unlisted debt securities	419,802	355,003
Derivatives:		
– listed	10	9,868
– unlisted	2,418	492
	<b>857,591</b>	649,822
<b>Current liabilities</b>		
At fair value:		
Listed equity securities		
– in Hong Kong	(68,395)	(56,675)
– outside Hong Kong	(69,988)	(64,514)
Unlisted debt securities	(142,558)	(127,767)
Derivatives:		
– listed	(273)	(7,276)
– unlisted	(4,284)	(689)
	<b>(285,498)</b>	(256,921)

## Notes to the Financial Report

### 15. Bank Loans

As at 30 June 2014, the bank loans were repayable as follows:

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
Within 1 year	<b>3,084,043</b>	2,009,663
After 1 year but within 5 years	<b>755,627</b>	1,025,720
After 5 years	<b>54,830</b>	59,554
	<b>810,457</b>	1,085,274
	<b>3,894,500</b>	3,094,937

As at 30 June 2014, the bank loans were secured as follows:

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
Bank Loans		
– secured	<b>1,222,255</b>	2,125,862
– unsecured	<b>2,672,245</b>	969,075
	<b>3,894,500</b>	3,094,937

As at 30 June 2014, bank loans of the Group of HK\$1,222,255,000 (31 December 2013: HK\$2,125,862,000) were secured by fixed deposits and property situated in Mainland China.

### 16. Amount Due to A Fellow Subsidiary and Shareholder

Amount due to an entity that is a fellow subsidiary and a shareholder of the Company is unsecured, interest-bearing and has fixed repayment terms.

# Notes to the Financial Report

## 17. Creditors, Deposits Received and Accrued Charges

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
Creditors, deposits received and accrued charges	<b>873,017</b>	749,835

As at 30 June 2014, creditors, deposits received and accrued charges included bonus payable to staff.

## 18. Notes Payable

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
Unlisted notes issued by the Group, at fair value	<b>47,000</b>	47,000

As at 30 June 2014, the Group issued two notes to two independent third parties and the notes payable are interest bearing and have fixed repayment terms.

# Notes to the Financial Report

## 19. Maturity Profile As at 30 June 2014

	Indefinite HK\$'000	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Total HK\$'000
<b>Assets</b>							
- Advances to customers	-	253,199	-	360,069	1,063,237	241,771	1,918,276
- Trading securities	427,021	-	411,027	19,543	-	-	857,591
- Available-for-sale securities	11,790,975	-	-	12,130	180,810	-	11,983,915
- Financial assets designated at fair value through profit or loss	3,440,690	-	-	108,074	692,175	-	4,240,939
- Cash and cash equivalents	-	2,364,373	2,341,523	-	-	-	4,705,896
	15,658,686	2,617,572	2,752,550	499,816	1,936,222	241,771	23,706,617
<b>Liabilities</b>							
- Bank loans	-	-	(2,178,089)	(905,954)	(755,627)	(54,830)	(3,894,500)
- Amount due to a fellow subsidiary and shareholder	-	-	(500,000)	-	-	-	(500,000)
- Financial liabilities designated at fair value through profit or loss	-	-	-	(7,101)	-	-	(7,101)
- Trading securities	(285,498)	-	-	-	-	-	(285,498)
- Notes payable	-	-	(20,000)	(27,000)	-	-	(47,000)
	(285,498)	-	(2,698,089)	(940,055)	(755,627)	(54,830)	(4,734,099)

# Notes to the Financial Report

## 19. Maturity Profile (continued) As at 31 December 2013

	Indefinite HK\$'000	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Total HK\$'000
<b>Assets</b>							
- Advances to customers	-	-	975,396	1,318,956	-	241,765	2,536,117
- Trading securities	258,517	-	332,681	58,624	-	-	649,822
- Available-for-sale securities	12,948,464	-	-	-	94,087	-	13,042,551
- Financial assets designated at fair value through profit or loss	2,866,113	-	-	151,269	311,408	-	3,328,790
- Cash and cash equivalents	-	2,229,567	869,311	666,100	-	-	3,764,978
	16,073,094	2,229,567	2,177,388	2,194,949	405,495	241,765	23,322,258
<b>Liabilities</b>							
- Bank loans	-	-	(629,739)	(1,379,924)	(1,025,720)	(59,554)	(3,094,937)
- Amount due to fellow subsidiary and shareholder profit or loss	-	-	(500,000)	-	-	-	(500,000)
- Financial liabilities designated at fair value through profit or loss	-	-	-	(7,268)	-	-	(7,268)
- Trading securities	(129,154)	-	(127,767)	-	-	-	(256,921)
- Notes payable	-	-	-	(47,000)	-	-	(47,000)
	(129,154)	-	(1,257,506)	(1,434,192)	(1,025,720)	(59,554)	(3,906,126)



# Notes to the Financial Report

## 20. Share Capital

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
<b>Ordinary shares issued and fully paid:</b>		
At 1 January	1,720,100	1,720,562
Shares repurchased	(34,846)	(462)
Transition to no-par value regime on 3 March 2014	7,932,843	–
End of period/year	9,618,097	1,720,100

### (a) Share Capital

As at 31 December 2013, 200,000,000 ordinary shares, with par value of HK\$1 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concepts of “authorised share capital” and “par value” no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the capital redemption reserve on 3 March 2014 have become part of the Company’s share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

# Notes to the Financial Report

## 20. Share Capital (continued)

### (b) Share repurchased

In February 2014, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Price paid per share \$	Aggregate consideration HK\$'000
February 2014	34,846,000	10.12	352,641

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32), an amount equivalent to the par value of the shares cancelled of HK\$34,846,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of HK\$317,795,000 was charged to retained profits.

### (c) Share premium and capital redemption reserve

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provision set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital. The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

# Notes to the Financial Report

## 21. Material Related Party Transactions

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

	<b>1 January to 30 June 2014 HK\$'000</b>	1 January to 30 June 2013 HK\$'000
Rental income from an ultimate holding company	120	120
Management fee received from:		
– a joint venture	3,129	4,608
– an associate exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss	6,735	11,820
Realised gain on disposal of available-for-sale securities from a fellow subsidiary	251,802	–
Loan interest income from:		
– a joint venture	–	1,048
– an associate exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss	12,119	10,937
Consultancy and other service income from a joint venture	15,503	8,689
Interest expense to a fellow subsidiary and shareholder	6,718	5,859

# Notes to the Financial Report

## 21. Material Related Party Transactions (continued)

- (b) Except as disclosed elsewhere in the financial statements, included in the balance sheet are the following balances with related parties:

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
Amounts due from associates (included in debtors, deposits and prepayments)	<b>35,601</b>	172,010
Loan to an associate exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss (included in advances to customers)	<b>209,163</b>	209,157

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

Loan to an associate exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss is secured, interest-bearing and has 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 property 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) None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in chapter 14A of the Listing Rules.

# Notes to the Financial Report

## 22. Contingent Liabilities

### Standby letter of credit, corporate guarantee and standby facility

	Notes	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Standby letter of credit issued to financial institution in respect of banking facility granted to a subsidiary	i	387,640	1,440,875
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	ii	1,678,050	699,710
Standby facility given to a joint venture	iii	310,112	310,104
		<b>2,375,802</b>	2,450,689

Notes:

- i. The Group's subsidiary did not utilise any of this banking facility as at 30 June 2014 (31 December 2013: HK\$1,440,875,000).
- ii. The Group's subsidiaries have utilised HK\$1,167,426,000 of these banking facilities as at 30 June 2014 (31 December 2013: HK\$688,515,000).
- iii. The Group's joint venture did not utilise any of this standby facility as at 30 June 2014.

# Notes to the Financial Report

## 23. Commitments

### (a) Capital commitments

As at 30 June 2014, the Group had capital commitments as follows:

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
Contracted but not provided for	<b>3,107,494</b>	362,892

### (b) Operating lease commitments

Operating lease commitments as at 30 June 2014 amounted to approximately HK\$1,697,000 (31 December 2013: HK\$3,160,000) of which HK\$1,697,000 (31 December 2013: HK\$2,950,000) is payable in the next twelve months. The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>30 June 2014 HK\$'000</b>	31 December 2013 HK\$'000
Not later than one year	<b>1,697</b>	2,950
Later than one year and not later than five years	-	210
	<b>1,697</b>	3,160

## Notes to the Financial Report

### 23. Commitments (continued)

#### (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 2014 are detailed as follows:

	Fair value assets/ (liabilities)		Contractual/ notional amounts	
	30 June 2014 HK\$'000	31 December 2013 HK\$'000	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Assets derivative contracts	2,428	10,360	274,890	878,754
Liabilities derivative contracts	(4,557)	(7,965)	449,112	784,106

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 on the balance sheet but do not necessarily indicate the amount of future cash flows involved or the current fair value of the instruments and, therefore, are not a representation of the Group's exposure to the credit or price risks.

# Notes to the Financial Report

## 24. Financial Instruments

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

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

### (a) Credit risk

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

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



# Notes to the Financial Report

## 24. Financial Instruments (continued)

### (a) Credit risk (continued)

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

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

The Group has well defined policies in place on the setting and approval of trading, credit and investment position limits in order to manage its credit risk exposure and concentration. As at the balance sheet date, the Group did not have a significant concentration of credit risk other than the provision of advances to customers which are secured by unlisted securities, third parties guarantees or leasehold land in Mainland China of HK\$1,299 million (31 December 2013: HK\$2,035 million).

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, on the balance sheet date deducting any impairment allowance. Except for the corporate guarantee set out in note 22, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of the corporate guarantee at the balance sheet date amounted to HK\$2,376 million (31 December 2013: HK\$2,451 million).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from advances to customers are set out in notes 12 and 19.

# Notes to the Financial Report

## 24. Financial Instruments (continued)

### (b) Liquidity risk

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

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

### (c) Interest rate risk

The Group monitors its interest rate exposure regularly to ensure that the underlying risk is monitored within an acceptable range. Most of the Group's interest-bearing assets and liabilities are on a floating rate basis with maturity of one to six years.

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 Treasury Department under the delegated authority of the Board of Directors. The instruments used to manage interest rate risk include time deposits and interest rate linked derivatives, if necessary.

# Notes to the Financial Report

## 24. Financial Instruments (continued)

### (d) Currency risk

The Group's exposure to exchange risk primarily stems from holdings of monetary assets and liabilities denominated in currencies, other than Hong Kong dollars and net investment in foreign subsidiaries and associates. As most of the Group's monetary assets and liabilities and net investment in foreign subsidiaries and associates are denominated in Hong Kong dollars, United States dollars or Renminbi, management does not consider there to be any significant 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 14), available-for-sale securities (see note 10), financial assets designated as fair value through profit or loss (see note 11) and financial liabilities designated as fair value through profit or loss. Other than unlisted securities held for medium to long-term strategic purposes, all of these investments are listed.

The Group's listed investments are mainly listed on the Stock Exchange of Hong Kong, the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Decisions to buy or sell trading securities rest with assigned investment team professionals and each investment portfolio is governed by specific investment and risk management guideline. Independent daily monitoring of each portfolio against the corresponding guideline is carried out by the Risk Management Department. Listed investments held in the available-for-sale securities and financial assets designated as 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 unquoted investments is assessed, based on the information available to the Group, periodically against performance of listed entities of comparable size and nature of businesses.

# Notes to the Financial Report

## 24. Financial Instruments (continued)

### (f) Offsetting financial assets and financial liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial assets HK\$'000	Gross amounts of recognised financial liabilities set off in the balance sheet HK\$'000	Net amounts of financial assets presented in the balance sheet HK\$'000	Related amounts not set off in the balance sheet HK\$'000	Net amount HK\$'000
<b>As at 30 June 2014</b>					
Trading securities	857,591	-	857,591	(511,631)	345,960
Debtors, deposits and prepayments	1,534,170	-	1,534,170	(484,564)	1,049,606
<b>As at 31 December 2013</b>					
Trading securities	649,822	-	649,822	(453,758)	196,064
Debtors, deposits and prepayments	1,558,192	-	1,558,192	(325,754)	1,232,438

# Notes to the Financial Report

## 24. Financial Instruments (continued)

### (f) Offsetting financial assets and financial liabilities

(continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial liabilities HK\$'000	Gross amounts of recognised financial assets set off in the balance sheet HK\$'000	Net amounts of financial liabilities presented in the balance sheet HK\$'000	Related amounts not set off in the balance sheet HK\$'000	Net amount HK\$'000
<b>As at 30 June 2014</b>					
Trading securities	285,498	-	285,498	(214,831)	70,667
Creditors, deposits received and accrued charges	873,017	-	873,017	(2,803)	870,214
<b>As at 31 December 2013</b>					
Trading securities	256,921	-	256,921	(204,383)	52,538
Creditors, deposits received and accrued charges	749,835	-	749,835	(791)	749,044

# Notes to the Financial Report

## 25. Fair Value of Financial Instruments

### Fair value hierarchy

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

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

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

# Notes to the Financial Report

## 25. Fair Value of Financial Instruments (continued) As at 30 June 2014

	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	5,901,043	132,480	5,950,392	11,983,915
Financial assets designated at fair value through profit or loss	1,381,835	-	2,859,104	4,240,939
Trading securities	439,208	418,383	-	857,591
	7,722,086	550,863	8,809,496	17,082,445
<b>Liabilities</b>				
Financial liabilities designated at fair value through profit or loss	-	-	(7,101)	(7,101)
Notes payable	-	-	(47,000)	(47,000)
Trading securities	(164,938)	(120,560)	-	(285,498)
	(164,938)	(120,560)	(54,101)	(339,599)

# Notes to the Financial Report

## 25. Fair Value of Financial Instruments (continued) As at 31 December 2013

	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	6,715,161	-	6,327,390	13,042,551
Financial assets designated at fair value through profit or loss	120,570	672,011	2,536,209	3,328,790
Trading securities	553,222	79,777	16,823	649,822
	7,388,953	751,788	8,880,422	17,021,163
<b>Liabilities</b>				
Financial liabilities designated at fair value through profit or loss	-	-	(7,268)	(7,268)
Notes payable	-	-	(47,000)	(47,000)
Trading securities	(256,232)	(689)	-	(256,921)
	(256,232)	(689)	(54,268)	(311,189)

As at 30 June 2014, one of the financial assets designated at fair value through profit or loss with a fair value of HK\$1,261,000,000 (31 December 2013: HK\$672,000,000) was previously using an adjusted quoted market price. As unadjusted quoted price is available in active market, the fair value measurement of this equity security was accordingly transferred from Level 2 to Level 1 of the fair value hierarchy.

As at 30 June 2014, the fair value of one of the available-for-sales securities with a fair value of HK\$132,480,000 (31 December 2013: HK\$180,691,000) was previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As quoted price in active market, or all significant inputs to valuation techniques directly or indirectly based on observable market data have become available, the fair value measurement of this equity security was accordingly transferred from Level 3 to Level 2 of the fair value hierarchy. The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.



# Notes to the Financial Report

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

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

The fair value of unlisted debt securities and derivatives in level 2 is determined using broker quotes.

### Information about Level 3 fair value measurements As at 30 June 2014

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 45%	5% (5%)	(3,111) 3,111	(102,052) 102,052
	Market multiples	1 to 43	5% (5%)	4,306 (4,306)	180,765 (180,765)
Term and Reversion approach	Adjusting factor on characteristic of the properties	0.64 to 0.78	5% (5%)	- -	30,169 (30,169)
Market approach	Adjusting factor on characteristic of the properties	0.58 to 1.28	5% (5%)	- -	26,375 (26,375)

# Notes to the Financial Report

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

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

The fair value of unquoted equity investments is estimated using an appropriate combination of (1) discount cash flow method to devolve the future value of the business into a present market value, (2) deducing from prices recently paid for similar assets and the financial indicators of the transacted assets such as net book value and net operating profit, (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, (4) applying residual approach to deduct the estimated construction cost, interest and developer's profit from the gross development value, and (5) applying replacement cost approach to estimate the market value for the existing use of the land, plus the current cost of replacement of the improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

The fair value of convertible notes is estimated discounting future cash flows. Future cash flows are estimated based on management's best estimate of the amount it would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions. The discount rate used is a market rate for a similar instrument at the balance sheet date. 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 balance sheet date.

# Notes to the Financial Report

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

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

The movement during the period in the balance of Level 3 financial instruments is as follows:

	Trading securities HK\$'000	Available-for-sale securities HK\$'000	Financial assets designated at fair value through profit or loss HK\$'000	Financial liabilities designated at fair value through profit or loss HK\$'000	Notes payable HK\$'000
At 1 January 2013	-	4,618,222	1,926,794	(97,495)	(155,540)
Purchased	57,203	1,783,941	1,428,407	-	-
Net unrealised gain recognised in other comprehensive income	-	540,597	-	-	-
Net unrealised gain or loss recognised in profit or loss	(40,380)	-	102,375	(191)	-
(Sales)/repurchased	-	(615,370)	(451,949)	90,418	108,540
Reclassification	-	-	(469,418)	-	-
At 31 December 2013 and 1 January 2014	16,823	6,327,390	2,536,209	(7,268)	(47,000)
Purchased	-	602,611	597,209	-	-
Net unrealised loss recognised in other comprehensive income	-	(380,555)	-	-	-
Net unrealised gain or loss recognised in profit or loss	(16,823)	-	(255,669)	167	-
Sales	-	(466,574)	(18,645)	-	-
Reclassification	-	(132,480)	-	-	-
At 30 June 2014	-	5,950,392	2,859,104	(7,101)	(47,000)

# Notes to the Financial Report

## 26. Segment Information

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

- Primary Market Investment – including:
  - 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, in some circumstances, prior to listing;
  - Venture Capital Funds – invests primarily in sectors, such as new energy and new materials, energy-saving and environmentally friendly services, bio-pharmaceuticals and healthcare, digital information and high-end manufacturing, as well as traditional manufacturing which is supported by hi-tech and advanced skills, with an ultimate objective of providing one-stop services for the investee companies including investment, financing, management and listing, enabling better returns for investors; and
  - Sector Focus Funds – sector focus specific long term investment in projects and equities, also targeting the management of investment funds focusing on real estate, infrastructure, medical & healthcare and resources assets (including low carbon and new energy industries).

# Notes to the Financial Report

## 26. Segment Information (continued)

- Secondary Market Investment – provides a diversified range of financial services including asset management, investment management and investment advisory activities which employ a wide range of investment strategies including market neutral, absolute returns, bond fund and equity fund. Investment return on the Group's own capital seeded into those fund is included herewith.
- Structured Financing and Investment – mainly invests in private equity, pre-IPO financing and structured financing for listed companies and its major shareholders by using its proprietary capital. It uses foreign currencies and/or Renminbi flexibly to facilitate the onshore and offshore financial needs of its target companies or individuals. Investment professionals in the team follow simple and clear investment philosophies by adopting a conservative, diversified and flexible investment approach that attains above-market returns on capital with below-average levels of business risk.
- Strategic Investment and Treasury – the Group's treasury management operations, and medium and long term investments which are carried out under senior management's directions.
- All other segments – which do not meet the threshold to be reportable and include the Group's investment in properties and certain financial assets and liabilities created from corporate investments.

Segment results are measured in accordance with HKFRS as profit/(loss) before taxation less non-controlling interests' share of profit/(loss).

Inter-segment transactions are priced by reference to normal commercial rates and/or cost recovery basis. Revenues of all other segments mainly include gross rental income, inter-segment service income and investment gain/(loss) from notes payable and certain corporate available-for-sale securities.

# Notes to the Financial Report

## 26. Segment Information (continued)

### (a) Business segments

For the six months period ended 30 June 2014:

	Primary Market Investment HK\$'000	Secondary Market Investment HK\$'000	Structured Financing & Investment HK\$'000	Strategic Investment & Treasury HK\$'000	Reportable segment total HK\$'000	All other segments HK\$'000	Total HK\$'000
<b>REVENUE</b>							
Operating income from external customers	149,341	25,081	181,837	364,926	721,185	56,158	777,343
Other net income from external customers	678,164	(3,853)	44,475	251,802	970,588	(15,855)	954,733
Total operating income and other net income	827,505	21,228	226,312	616,728	1,691,773	40,303	1,732,076
<b>RESULTS AND RECONCILIATION OF SEGMENT RESULTS</b>							
Segment results before non-controlling interests	493,164	(23,399)	67,531	605,948	1,143,244	25,156	1,168,400
Unallocated head office and corporate expenses							(111,482)
Share of profits less losses of associates, as per the associates' financial statements							268,966
Share of profits less losses of joint ventures, as per the joint ventures' financial statements							52,778
Adjustments to share of profits less losses to conform with the Group's accounting policies							11,875
Profit before taxation							1,390,537
Less: non-controlling interests	(198,291)	-	(5,684)	-	(203,975)	1,541	
Segments results	294,873	(23,399)	61,847	605,948	939,269	26,697	

# Notes to the Financial Report

## 26. Segment Information (continued)

### (a) Business segments (continued)

For the six months period ended 30 June 2013 (Restated):

	Primary Market Investment HK\$'000	Secondary Market Investment HK\$'000	Structured Financing & Investment HK\$'000	Strategic Investment & Treasury HK\$'000	Reportable segment total HK\$'000	All other segments HK\$'000	Total HK\$'000
<b>REVENUE</b>							
Operating income from external customers	159,925	50,947	209,925	145,648	566,445	45,488	611,933
Other net income from external customers	350,607	(18,171)	42,960	-	375,396	(3,484)	371,912
Total operating income and other net income	510,532	32,776	252,885	145,648	941,841	42,004	983,845
<b>RESULTS AND RECONCILIATION OF SEGMENT RESULTS</b>							
Segment results before non-controlling interests	428,314	(26,825)	219,113	138,617	759,219	30,636	789,855
Unallocated head office and corporate expenses							(80,977)
Share of profits less losses of associates, as per the associates' financial statements							343,625
Share of profits less losses of joint ventures, as per the joint ventures' financial statements							22,744
Adjustments to share of profits less losses to conform with the Group's accounting policies							(83,421)
Profit before taxation							991,826
Less: non-controlling interests	(222,985)	-	(3,934)	-	(226,919)	126	
Segments results	205,329	(26,825)	215,179	138,617	532,300	30,762	

# Notes to the Financial Report

## 26. Segment Information (continued)

### (a) Business segments (continued)

#### Other Information

As at 30 June 2014:

	Primary Market Investment HK\$'000	Secondary Market Investment HK\$'000	Structured Financing & Investment HK\$'000	Strategic Investment & Treasury HK\$'000	Reportable segment total HK\$'000	All other segments HK\$'000	Sub-total HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment assets	7,798,172	1,972,491	4,811,151	8,072,834	22,654,648	2,917,298	25,571,946	-	25,571,946
Investments in associates									10,888,193
Investments in joint ventures									854,547
Amounts due from investee companies									238,932
Amounts due from associates									47,527
Amounts due from joint ventures									4,624
Unallocated head office and corporate assets									233,916
Total assets									37,839,685
Segment liabilities	385,618	295,545	1,035,454	501,721	2,218,338	2,427,580	4,645,918	-	4,645,918
Amounts due to an investee company									78,503
Amount due to a joint venture									491
Provision for taxation									276,498
Deferred tax liabilities									273,734
Unallocated head office and corporate liabilities									961,198
Total liabilities									6,236,342



# Notes to the Financial Report

## 26. Segment Information (continued)

### (a) Business segments (continued)

#### Other Information (continued)

As at 31 December 2013:

	Primary Market Investment HK\$'000	Secondary Market Investment HK\$'000	Structured Financing & Investment HK\$'000	Strategic Investment & Treasury HK\$'000	Reportable segment total HK\$'000	All other segments HK\$'000	Sub-total HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment assets	9,832,084	1,409,318	3,548,839	7,389,392	22,179,633	3,066,220	25,245,853	(1,811)	25,244,042
Investments in associates									10,884,673
Investments in joint ventures									721,404
Amounts due from investee companies									169,011
Amount due from associate									19,818
Amount due from a joint venture									4,435
Unallocated head office and corporate assets									211,387
<b>Total assets</b>									<b>37,064,770</b>
Segment liabilities	111,128	264,598	1,183,496	744,758	2,303,980	1,122,789	3,426,769	(1,811)	3,424,958
Amount due to a joint venture									2,197
Amount due to an investee company									80,339
Provision for taxation									302,561
Deferred tax liabilities									284,799
Unallocated head office and corporate liabilities									1,231,003
<b>Total liabilities</b>									<b>5,325,857</b>

# Notes to the Financial Report

## 26. Segment Information (continued)

### (b) 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 fixed assets, 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 location of the asset. For interests in associates and joint ventures, the geographical location is based on the location of operations.

	For the six months period ended 30 June 2014			For the six months period ended 30 June 2013		
	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000	Hong Kong HK\$'000 (Restated)	Mainland China HK\$'000 (Restated)	Total HK\$'000 (Restated)
Segment revenue						
Operating income	453,587	323,756	777,343	393,971	217,962	611,933
Other net income	855,537	99,196	954,733	85,451	286,461	371,912
	<b>1,309,124</b>	<b>422,952</b>	<b>1,732,076</b>	479,422	504,423	983,845
	For the six months period ended 30 June 2014			For the year ended 31 December 2013		
	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Specified non-current assets	1,620,896	10,686,919	12,307,815	1,062,943	10,918,113	11,981,056

# Notes to the Financial Report

## 27. Non-adjusting Post-balance Sheet Events

Subsequent to 30 June 2014, the Company announced on 1 August 2014 that it had been informed by China Everbright Holdings Company Limited (“CE Hong Kong”), the indirect controlling shareholder of the Company, that pursuant to the approval of the State Council of the PRC in respect of the restructuring plan of China Everbright Group Limited\* (“CE Beijing”) (the “Restructuring Plan”), CE Beijing will be transformed from a state-wholly-owned enterprise to a joint stock limited company, which will be established by the Ministry of Finance of the PRC (“MOF”) and Central Huijin Investment Limited\* (“Huijin Limited”) and the name of which will be changed to China Everbright Group Corporation\*. MOF will make contributions by and through injecting (1) its equity interest in CE Beijing; (2) its equity interest in CE Hong Kong; and (3) a loan and its interest accrued to CE Beijing. Huijin Limited will make contributions by and through injecting the assets as specified in the Restructuring Plan (the “Proposed Restructuring”).

The Proposed Restructuring is led by the PRC government. As at the date of the abovementioned announcement of the Company, the Proposed Restructuring had not yet commenced. If the Proposed Restructuring is materialised, change of control of the Company may occur and it is expected that a waiver application will be made by the relevant new controlling shareholders to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong in respect of any mandatory general offer which would arise under Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”). The Company will make further announcement in this regard pursuant to the Takeovers Code, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as and when appropriate.

The Proposed Restructuring does not affect the Group’s financial position as of 30 June 2014.

\* For identification purposes only

# Review Report

## To the Board of Directors of China Everbright Limited

*(Incorporated in Hong Kong with limited liability)*

### Introduction

We have reviewed the interim financial report set out on pages 3 to 57 which comprises the consolidated balance sheet of China Everbright Limited (the “Company”) as of 30 June 2014 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion 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.

### 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 the interim financial report consists of making enquiries, 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.

# Review Report

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

### **KPMG**

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

27 August 2014

## Business Review and Prospects

Global economy in the first half of 2014 was headed in a positive direction. Signs of recovery in the US economy became more apparent: Led by the gradual revival of the manufacturing industry and the strong performance of the innovation and technology industry, The Dow Jones Industrial Average continued an upward trend. In the Eurozone, monetary policies remained loose and the region saw the return of growth. As Japan broke out of a prolonged deflationary period, it showed signs of mild recovery. As for China, its economy progressed steadily on the whole, but it faced relatively heavy downward pressure. The A-share market trended downward, despite the stimulation from the new national nine rules to revive the Mainland capital market and the policy initiatives to promote innovation among securities firms. Under the influence of the Mainland and the international markets, performance of Hong Kong financial market could only be described as mediocre in the first half of 2014. The stock market stayed range-bound, even with the expected stimulation from policy initiatives such as Shanghai-Hong Kong Stock Connect.

Although the external environment was relatively subdued, China Everbright Limited's ("the Group") cross-border assets management business demonstrated strong growth and higher diversity. As at 30 June 2014, the Group had raised funds in excess of HK\$40 billion. The Group's brand value was further enhanced in the first half of the year following a series of mergers and acquisitions (including investments in Prestige Capital Asset Management Company Limited and Ying Li International Real Estate Limited), as well as the listing of investee companies (China Aircraft Leasing Company, Anhui Yingliu Electromechanical, LvSan Chemistry and Qingdao Port). As the Group's Macro Asset Management strategy will require a more solid governance structure in the coming years, the Group engaged an international strategic management consultancy during the reporting period to review its internal controls and back office operations, with the objectives of improving its overall governance framework and facilitating business growth.

# Business Review and Prospects

## Operating Results

For the first half of 2014, the Group posted an operating income of HK\$777 million, up 27% compared to the same period last year. Profit attributable to equity shareholders was HK\$1,152 million, representing an increase of 56.4% over the first six months of 2013. Earnings per share was HK\$0.68, up 58.9% over the first half of 2013. The Hong Kong business reported profit attributable to equity shareholders of HK\$621 million, 76% more over the first half of 2013 and a 54% of the profit attributable to equity shareholders. Excluding the gain of HK\$252 million from selling 112 million shares of China Everbright Bank, the Hong Kong business saw 4.4% growth in profit attributable to equity shareholders. Asset management fees of HK\$65 million was recorded, representing an increase of 48.4%; interest income reported HK\$219 million, representing an increase of 17.5% while consultancy fee of HK\$18 million was recorded, representing a decrease of 80%.

During the first half of 2014, the Group's total expenditure was HK\$542 million, up 113% from the same period last year. It was mainly the result of one-off expense on restructuring. The ratio of total cost over total income was 31%, up 5%. To better support business growth and prepare for expansion, the Group's leverage was lifted appropriately. The interest-bearing debts gearing ratio remained healthy, rising to 14% (compared with 11.5% as at 31 December 2013). The Group's solid financial position continues to support the development of its various operations.

The Group's share of Everbright Securities' profit contribution (per everbright securities financial statements) amounted to HK\$160 million, representing a decrease of 53% over the first half of 2013. China Everbright Bank contributed a dividend income after tax of HK\$317 million, up 162%. At the same time, to better focus on its core business, the Group ceded out 112 million shares of China Everbright Bank A-shares to its parent company, China Everbright Group, on 24 February 2014, realising an investment gain of HK\$252 million.

## Core Business Cross – Border Assets Management

As at 30 June 2014, the Group had 22 funds under its cross-border Macro Asset Management Platform. The Group also accelerated its fund raising through equity investment into the newly established Everbright Prestige Capital Asset Management Company Limited sales platform. Total funds raised increased to HK\$40 billion, approximately 81% of which was raised externally.

# Business Review and Prospects

## Core Business Cross – Border Assets Management

(continued)

### Primary Market Investment Business

The Primary Market Investment business, comprised of private equity funds, venture capital funds and sector focus funds, remains the Group's most well-established business segment. As at 30 June 2014, asset under management ("AUM") of Primary Market was HK\$30.6 billion, with 68 investment projects. Profit before tax from this segment was HK\$295 million, representing an increase of 44% from the same period last year.

#### ➤ Private Equity Funds

2 projects were added to the China Special Opportunities Fund series in the first half of 2014 and the total number of invested projects as at 30 June 2014 amounted to 21. Anhui Yingliu Electromechanical was successfully listed on the Shanghai Stock Exchange during the period and was one of the first companies to go public right after the Mainland resumed the process for Initial Public Offerings (IPOs). UnionPay continued to grow steadily, while Beijing Genomics Institute, Wufeng Agricultural and Yuan Cheng Logistics all recorded growth in line with expectations and are preparing for listing. In view of the ongoing consolidation within the Mainland's private equity sector, the structural change of China's economy and the gradual recovery of A-share IPO market, the management believes that existing projects will advance even more noticeably in the second half of the year.

#### ➤ Venture Capital Funds

Everbright Venture Capital Funds' management team has completed investments in their 3 funds under management, including: Everbright Guolian, Everbright Jiangyin and Everbright Zhongguancun. Riding on the growth of the photovoltaic industry in the review period, the investment team successfully divested from the Shenzhen Jiawei project, achieving an excellent return on investment. Among the 19 investment projects on hand, LvSan Chemistry was listed on the National Equities Exchange and Quotation system ("the New Third Board") for transaction on 20 March 2014, the CECEP Wind-Power project had gone through the approval process by China Securities Regulatory Commission's Issuance Examination Committee, and Hanbang Gaoke and Yida Chemical were given initial approval for listing by the Growth Enterprise Market ("GEM") Board and the New Third Board respectively.



# Business Review and Prospects

## Core Business Cross – Border Assets Management

(continued)

### Primary Market Investment Business (continued)

#### ➤ Sector Focus Funds

**Real Estate Fund** – During the reporting period, Everbright Ashmore added 3 new projects and successfully exited 2 projects. With 19 projects in stock, AUM totalled HK\$18 billion. Together with the USD-denominated funds (AUM: US\$195 million), the real estate fund platform managed total assets of US\$2.5 billion, 91% of which were raised externally. The Group announced the investment of HK\$1.761 billion in ordinary shares and convertible securities in the Singapore-listed, Chongqing-based commercial property developer, Ying Li International Real Estate Limited. Subject to final approval by Ying Li's shareholders and Singapore Exchange Limited, the completion of this deal will make the Group Ying Li's second-largest shareholder. Looking ahead, the Group will combine Ying Li's experience in commercial operations and urban renewal experience in central locations with Everbright Ashmore's property management capability, capital strength and business networks. The synergy is expected to enhance Ying Li's development and expand its operations into first-tier cities in Mainland China as well as Hong Kong and Singapore.

**Infrastructure Fund** – During the reporting period, the Group reorganised the Infrastructure Fund's management structure. The Group no longer participates in the management of the Everbright Macquarie Greater China Infrastructure Fund, but continued to invest in the fund as a limited partner. The Group is to focus on RMB-based fund. The Shandong Hi-Speed Everbright Industrial Fund, a joint project between China Everbright and Shandong Hi-Speed Group, completed its first round of fundraising of RMB1.8 billion. The fund completed its investment in one project and was in the process of another round of fundraising. This fund will help the Group to capture the investment opportunities brought about by Mainland China's urbanisation, including industry upgrading and growing demand from municipal administration, environmental protection and clean energy, with the aim to link up industry opportunities and financial capital.

# Business Review and Prospects

## Core Business Cross – Border Assets Management

(continued)

### Primary Market Investment Business (continued)

#### > Sector Focus Funds (continued)

**New Energy Fund** – The New Energy Fund team currently manages two RMB-denominated funds, namely Everbright Jiangsu New Energy (Low Carbon) Fund and Everbright Qingdao New Energy (Low Carbon) Fund. During the reporting period, Everbright Qingdao New Energy (Low Carbon) Fund added 1 project, bringing the total amount of invested projects to 4. The team is now actively driving the progress of invested projects and enhancing post investment management. At the same time, the Fund is enhancing its capability to review and approve the new projects initiation to maintain the Fund's performance and ensure that it better identifies potential investment projects with more diversified products and profit structures with higher standards of financial and internal controls.

**Medical & Health Care Fund** – The size of Everbright Medical and Healthcare Fund I amounted to RMB600 million. The Fund saw the addition of 1 new project, bringing its total number of investment projects to 4. Having completed the investment period earlier than expected, the Fund's team is now in the project management and divestment stage. An IPO application for the Beta Pharmaceuticals project has already been filed with the China Securities Regulatory Commission. The Beijing Genomics Institute project is also being prepared for a listing. Both the Beijing Amcare and Jida Pharmaceutical projects are progressing well. Given the robust performance of these projects and the Medical & Health Care Fund team's strong pipeline of good quality projects, the Group is preparing to initiate fundraising for the Everbright Medical and Healthcare Fund II in the second half of the year.

**Mergers & Acquisitions Fund** – The CEL Catalyst China Israel Fund completed its first phase of financing. As at 30 June 2014, nearly US\$85 million was raised. The fund aims to provide capital and long-term drive for Israel's innovative industries and their development in China. Investee companies must possess a track record of market-proven products, stable cash flows and be able to meet the underlying needs of the China market. While further fundraising is still in progress, the fund has started investing.

# Business Review and Prospects

## Core Business Cross – Border Assets Management

(continued)

### Secondary Market Investment Business

Everbright's Secondary Market Investment Business, which focuses on investment opportunities in overseas listed securities, is currently divided into 2 main segments: traditional asset management and global absolute return funds business. This Business is still in its development phase, with the full impairment provision to an investment into listed debt securities made by a global absolute return fund in 2013, it reported a loss of HK\$23 million in the first half of 2014.

In traditional asset management, the Group actively expanded its product portfolio with continued growth in fixed income and equity income products. Fixed income products performed well, with the QDII Greater China Bond Trust generating a 12.26% net of fees return since its introduction in November 2012. The Phase I of Everbright Dynamic Bond Fund has posted net of fee returns of 13.62% (Type A) and 32.38% (Type B) since their launch in December 2012, while Phase II has recorded net of fee returns of 14.85% (Type A) and 33.82% (Type B) since the inception in February 2013. The Group also built on its existing Qualified Domestic Institutional Investor (QDII) products and added Qualified Foreign Institutional Investor (QFII) and RMB Qualified Foreign Institutional Investor (RQFII) products to enable the Group to participate in more cross-border investments between mainland China and Hong Kong. At the same time, the Group diversified its investment categories by participating in the private placement of equity and quasi-equity PIPE projects from listed companies.

For the Global Absolute Return Funds, the Group further strengthened its trading and management operating systems. The team is dedicated to achieve a steady income in a risk-controlled environment.

# Business Review and Prospects

## Core Business Cross – Border Assets Management

(continued)

### Structured Financing and Investment Business

The Structured Financing and Investment Business mainly comprises Capital Investment and Financing, and the RMB Mezzanine Fund. The former engages in short- to medium-term offshore financing or investment, while the later primarily offers mezzanine financing support to meet the diversified needs of domestic corporate clients in the Mainland China. During the reporting period, the Mezzanine Fund team progressively drove a structural reorganisation project within the Mainland's high-technology industry, riding on the strong growth in the sector. It also became the first to enter into discussions with insurers with the aim to introduce their funds into the projects, representing a new milestone for Everbright's fundraising strategy.

As at the end of June 2014, this business segment registered interest and consultation fee of HK\$164 million, while investment income was HK\$63 million, and total revenue slightly decreased by 9%; as the fair value of investments recorded a reduction, the profit represented a decrease of 71% to HK\$62 million. The structured financing business aims to enhance the Group's efficiency in the use of fund within a manageable risk level.

### Aircraft Leasing Business

On 11 July 2014, China Aircraft Leasing Group Holdings Limited ("CALC"), was officially listed on the main board of the Hong Kong Stock Exchange (stock code: HK 1848), raising a total of HK\$729 million. Following the listing, Everbright remains the major strategic shareholder of CALC, holding approximately 35% of CALC. The Group will continue to support CALC's development, and is very confident about its future growth.

During the reporting period, the number of passenger aircrafts owned by CALC increased from 25 to 34, generating an income stream that is rapidly growing. Everbright's share of CALC's after-tax profit amounted to HK\$37.4 million, up 63% compared to last year.

# Business Review and Prospects

## Core Business Cross – Border Assets Management

(continued)

### Everbright Prestige Capital Asset Management Company

During the first half of the year, the Group successfully invested in Prestige Capital Asset Management Company (renamed Everbright Prestige Capital Asset Management Company) (“**Everbright Prestige**”). Everbright Prestige, the former Asset Management Department of the China Post Fund, was established in 2011. On 20 March 2013, it was granted the “PRC Certificate of Business Qualification of Asset Management for Specific Clients” from the China Securities Regulatory Commission, and it mainly engages in onshore asset management for specific clients. This collaboration will help integrate the financial resources of Everbright and China Post Fund, complementing each other’s advantages and realising synergetic growth.

Everbright Prestige will provide strong support to Everbright’s various businesses, offering access to high-net-worth individuals in the Mainland China. Looking ahead, Everbright Prestige will serve as a fundraising platform for the Group’s RMB funds and will further consolidate Everbright’s existing client sources for RMB funds. In addition, the company will facilitate the development of products for our onshore clients, and expand the source and scale of fundraising, serving the primary market, secondary market and mezzanine funds. As at 30 June 2014, the AUM of Everbright Prestige was RMB5.38 billion.

### Everbright Securities

As at the end of the first half of 2014, Everbright Securities Company Limited, of which the Group holds 33.33%, had yet to fully recover from the impact of arbitrage trading system error occurred last year. The Group’s share of Everbright Securities’ after tax profit was HK\$160 million, seeing a sharp decline of 53% compared to the same period in 2013.

Following the issuance of “The Decision on Removing the Restrictive Measures on Everbright Securities Company Limited’s Securities Proprietary Business and Reviving the Acceptance of the Company’s New Business Application” by China Securities Regulatory Commission, Everbright Securities’s operation is expected to improve gradually with the relaunch of its proprietary trading business and the introduction of a series of measures to expand Mainland-Hong Kong cross-border securities trading, such as Shanghai-Hong Kong Stock Connect.

# Business Review and Prospects

## Everbright Securities (continued)

Everbright Securities and the Group respectively holds a 51% interest and 49% interest of Everbright Securities (International), which offers brokerage, wealth management and investment banking services in Hong Kong. In the first half of 2014, profit contributed by Everbright Securities (International) amounted to approximately HK\$1 million, a decrease of 75% compared to first half of 2013.

## Outlook

The pace of economic recovery in the US is likely to remain steady in the second half of 2014. With the return of inflation, the US Federal Reserve may end its Qualitative Easing policy in due course. If the monetary easing measures by Europe's central banks can improve the credit environment, Europe's recovery will also be something to look forward to. The Japanese government is expected to continue driving structural reforms through fiscal stimuli to rekindle growth. The Chinese government has changed the policy stance from a top-down approach focusing on deleveraging to a more directional and easing one in order to stabilise growth. It is expected that "Micro-stimulus" measures may become the new policy theme. Against this background, we remain cautiously optimistic about Hong Kong's overall economic outlook.

The Group will continue to develop its cross-border asset management business in the second half of 2014. Solid measures will include: (1) for Primary Market Investment, raising money for several funds and diversifying source of investors while ushering investment projects with listing potential towards the capital market to realise sustainable and strong investment returns; (2) for Secondary Market Investment, strengthening offshore fundraising efforts, and diversifying product types to achieve breakeven while reducing reliance on the Group's own capital; (3) supporting China Everbright Group's restructuring process and divesting the Group's holding in China Everbright Bank in due course; (4) completing the review and optimisation of internal structures and building a unified platform for fundraising and maintaining client relationships; and (5) further enhancing brand value by building good corporate culture and public image.

Now that the Group has successfully transformed into a cross-boarder asset management business and that the business segments have become more mature, it is expected that the Group will continue to achieve high profitability in the future. We are confident about the prospects of the Group in the second half of 2014.

# Business Review and Prospects

## Financial Positions

The Group adopts a prudent approach in cash and financial management to ensure proper risk control and low costs of funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 30 June 2014, the Group's total assets amounted to approximately HK\$37.8 billion, with cash on hand of approximately HK\$4.7 billion. Apart from current liabilities in the ordinary course of business and those related to derivative financial instruments, the Group's major liabilities are bank loans and amount due to a fellow subsidiary and shareholder of approximately HK\$3.9 billion and HK\$0.5 billion respectively. Loans are obtained to finance the Group's working capital requirements and investments in Mainland China. As at 30 June 2014, bank loans of the Group of HK\$1.2 billion (31 December 2013: HK\$2.1 billion) were secured by fixed deposits and property situated in Mainland China. The actual borrowing depends on the Group's business and investment needs. As at 30 June 2014, the Group's borrowing facilities amounted to approximately HK\$6.8 billion. The Group's gearing ratio, calculated as interest bearing liabilities divided by shareholders' equity, was 14% as at 30 June 2014 (31 December 2013: 11.5%). The Group had no material exposure to foreign exchange fluctuations other than assets and bank loans denominated in Renminbi and US dollars.

## CONTINGENT LIABILITIES

As at 30 June 2014, the Company had issued financial guarantees to subsidiaries. The directors do not consider it is probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 30 June 2014 under the guarantees issued is the facilities drawn down by the subsidiaries of HK\$1,170 million.

*Executive Director and Chief Executive Officer*  
**Chen Shuang**

# Disclosure of Interests

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

As at 30 June 2014, 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:

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

Name of director	Total	Personal interest	Family interest	Corporate interest	% of total issued shares
Tang Chi Chun, Richard	719,000	719,000	-	-	0.04%

### 2. Long position in shares of an associated corporation of the Company, namely China Everbright International Limited ("CEIL"):

Name of directors	Total	Personal interest	Family interest	Corporate interest	% of total issued shares
Zang Qiutao	2,000,000	2,000,000	-	-	0.045%
Chen Shuang	40,000	40,000	-	-	0.001%

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

### 4. Long position in underlying shares of equity derivatives of associated corporations of the Company: Nil

Save as disclosed herein, as at 30 June 2014, 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.



## Disclosure of Interests

### Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the 6 months ended 30 June 2014 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

As at 30 June 2014, the following persons had an interest or short position in the shares and underlying shares of the Company which must be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who directly or indirectly, had a 5% or greater interest in the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

#### Long Position

Name of shareholders	No. of shares beneficially held	% of total issued shares
China Everbright Holdings Company Limited (Note)	838,306,207	49.74%
Datten Investments Limited (Note)	832,273,207	49.39%
Honorich Holdings Limited	832,273,207	49.39%

Note: 832,273,207 shares are held by Honorich Holdings Limited ("Honorich"). Honorich is wholly-owned by Datten Investments Limited ("Datten") which in turn is a wholly-owned subsidiary of China Everbright Holdings Company Limited ("CE Holdings"). Accordingly, Datten and CE Holdings are deemed to have the same interests in the shares of the Company as Honorich. 6,033,000 shares are held by Everbright Investment & Management Limited ("EIM"), a wholly-owned subsidiary of CE Holdings.

## Disclosure of Interests

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

Save as disclosed above, as at 30 June 2014, the directors were not aware of any other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who directly or indirectly, had a 5% or greater interest in the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

### **Employees**

As at 30 June 2014, the Group had 207 employees. Total staff costs for the period under review amounted to approximately HK\$139 million as noted in the consolidated income statement. 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 the Corporate Governance 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 2014 except that Mr. Tang Shuangning, the Chairman of the Company, due to other business obligations, was unable to attend the annual general meeting of the Company held on 21 May 2014. This constitutes a deviation from the code provision of E.1.2 of CG Code which requires, the Chairman of the board to attend the annual general meeting.

## Model Code for Securities Transaction by Directors

The Company has adopted a “Code for Securities Transactions by Directors & Relevant Employees” (the “Code”) which is no less exacting than the required standard set out in the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) contained in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the directors confirmed that they have complied with the required standard set out in both the Code and the Model Code for the six months ended 30 June 2014.

## Audit and Risk Management Committee

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

The Audit and Risk Management Committee and the management have reviewed the accounting principles and practices adopted by the Group and discussed auditing, 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 2014.

## Remuneration Committee

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

## Nomination Committee

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

## Other Information

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

The Company entered into a facility letter on 27 December 2012 as further amended, modified and supplemented on 20 November 2013 pursuant to which an independent third party bank agreed to grant (i) a term loan facility of up to US\$100 million (or equivalent in HK\$) for a term up to 27 December 2015 and (ii) a committed revolving loan and/or standby letters of credit of up to US\$50 million (or equivalent in HK\$) for a term up to 31 December 2014. Under the said facility letter, it will be an event of default if China Everbright Holdings Company Limited (“CEHCL”) ceases to be the single largest shareholder of the Company. Upon the occurrence of the above event, the said facilities together with all accrued interest and any other amounts accrued under the said facilities may become immediately due and payable.

On 6 November 2013, the Company entered into a facility letter pursuant to which an independent third party bank agreed to grant (i) a revolving loan and term loan of up to HK\$300 million (or its equivalent in the United States dollars) and (ii) an uncommitted revolving loan and term loan of up to HK\$1.2 billion (or its equivalent in the United States dollars) for a period of three years from the signing date of the said facility letter. Under the said facility letter, it will be an event of default if CEHCL ceases to have the single largest shareholding interest in the Company. Upon the occurrence of the above event, the said facilities together with all accrued interest and any other amounts accrued under the said facilities may become immediately due and payable.

On 25 June 2014, the Company entered into a facility letter pursuant to which an independent third party bank agreed to grant a committed short term loan of up to US\$100,000,000 (or equivalent in HK\$) for a term not exceeding 6 months. Under the said facility letter, it will be an event of default if CEHCL ceases to be the single largest shareholder of the Company. Upon the occurrence of the above event, the said facilities together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

As at 30 June 2014, 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 2013 annual report are as follows:

Mr. Zang Qiutao, the Deputy Chairman of the Company, resigned as Vice Chairman of China Everbright Holdings Company Limited with effect from 29 July 2014; resigned as executive director and Vice Chairman of China Everbright International Limited (a company listed on the Stock Exchange, stock code: HK 257) with effect from 12 August 2014; and resigned as executive director and Deputy Chairman of the Company with effect from 27 August 2014.

Mr. Chen Shuang, the executive director and Chief Executive Officer of the Company, was appointed as the Chairman and non-executive director of China Aircraft Leasing Group Holdings Limited (a company listed on the Stock Exchange on 11 July 2014, stock code: HK 1848) with effect from 12 August 2013.

Mr. Tang Chi Chun, the executive director and Chief Financial Officer of the Company, was appointed as the non-executive director of China Aircraft Leasing Group Holdings Limited (a company listed on the Stock Exchange on 11 July 2014, stock code: HK 1848) with effect from 12 August 2013.

Dr. Lin Zhijun, the independent non-executive director of the Company, resigned as an independent non-executive director of Zhengzhou Coal Mining Machinery Group Company Limited (a company listed on the Stock Exchange, stock code: HK 564) with effect from 3 April 2014.

Dr. Chung Shui Ming, Timpson, the independent executive director of the Company, was appointed as the independent non-executive director of Jinmao (China) Investments Holdings Limited (a company listed on the Stock Exchange, stock code: HK 6139) with effect from 25 March 2014.

Dr. Liu Jun was appointed as the executive director and Deputy Chairman of the Company with effect from 27 August 2014.

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.

## Other Information

### Interim Dividend

The Board declared the payment of an interim dividend of HK\$0.15 per share for the six months ended 30 June 2014 (2013: HK\$0.11 per share) to those shareholders whose names appear on the register of members of the Company on 29 September 2014. Dividend cheques will be dispatched to shareholders of the Company on or about 16 October 2014.

### Closure of Register of Members

The register of members of the Company will be closed from 29 September 2014 to 3 October 2014 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 26 September 2014.

By order of the Board  
**China Everbright Limited**  
**Chen Shuang**  
*Chief Executive Officer*

Hong Kong, 27 August 2014