



# DYNAMIC GROWTH AND EXCELLENCE

強勁增長 卓越表現

Interim Report 2015

Stock Code : 165



# CORPORATE INFORMATION

## Board of Directors

Tang Shuangning (*Chairman*)  
Liu Jun (*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\*  
Lin Zhijun\*  
Chung Shui Ming, Timpson\*

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

\* 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  
Standard Chartered Bank  
(Hong Kong) Limited  
The Bank of East Asia, Limited

## Legal Advisor

Grandall Legal Group  
(Shanghai) Office

## Share Registrar

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

## Auditor

KPMG

## Website Address

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## Investor Relations Contact

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## 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 2015. The interim financial report is unaudited, but has been reviewed by KPMG (the auditor of the Company) in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants, whose review report is included on page 54. 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 2015

	Notes	1 January to 30 June 2015 HK\$'000	1 January to 30 June 2014 HK\$'000
Continuing operations			
Turnover	3	5,627,370	2,970,235
Operating income	3	1,170,801	777,343
Other net income	3	1,197,465	954,733
Staff costs		(234,831)	(138,972)
Depreciation expenses		(11,180)	(10,794)
Impairment loss on available-for-sale securities		(7,764)	(69,683)
Impairment loss on amount due from an investee company		(18,356)	(12,125)
Impairment loss on debtors, deposits and prepayments		–	(51,000)
Other operating expenses		(207,351)	(283,159)
Profit from operations		1,888,784	1,166,343
Finance costs		(175,299)	(109,425)
Share of profits less losses of associates, as per the associates' financial statements	9	2,138,492	268,966
Share of profits less losses of joint ventures, as per the joint ventures' financial statements	10	23,512	52,778
Loss on deemed disposal of interest in an associate	9	(20,274)	–
Adjustments to share of profits less losses to conform with the Group's accounting policies	1	8,000	11,875
Profit before taxation		3,863,215	1,390,537
Income tax	4	(325,294)	(35,877)
Profit from continuing operations		3,537,921	1,354,660
Discontinued operations			
Profit from disposal group held for sale	5	23,901	–
<b>Profit for the period</b>		<b>3,561,822</b>	<b>1,354,660</b>

# CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015

	Notes	1 January to 30 June 2015 HK\$'000	1 January to 30 June 2014 HK\$'000
<b>Profit attributable to equity shareholders of the Company</b>			
Continuing operations		3,201,736	1,152,226
Discontinued operations		23,901	–
<b>Non-controlling interests</b>		<b>3,225,637</b>	1,152,226
		<b>336,185</b>	202,434
<b>Profit for the period</b>		<b>3,561,822</b>	1,354,660
<b>Basic and diluted earnings per share</b>	8		
Continuing operations		HK\$1.900	HK\$0.680
Discontinued operations		HK\$0.014	–
		<b>HK\$1.914</b>	HK\$0.680

The notes on pages 11 to 53 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company attributable to the period are set out in note 6.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

Notes	1 January to 30 June 2015 HK\$'000	1 January to 30 June 2014 HK\$'000
<b>Profit for the period</b>	<b>3,561,822</b>	1,354,660
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
Items that may be reclassified subsequently to income statement		
– Net movement in investment revaluation reserve of available-for-sale securities	7 <b>3,549,532</b>	(761,824)
– Share of other comprehensive income of associates, as per the associates' financial statements	<b>(258,228)</b>	(80,223)
– Share of other comprehensive income of joint ventures, as per the joint ventures' financial statements	<b>(3,167)</b>	(55,149)
– Adjustments to share of other comprehensive income of associates and joint ventures to conform with the Group's accounting policies	1 <b>(42,300)</b>	(14,985)
– Exchange reserve	<b>56,585</b>	(182,107)
	<b>3,302,422</b>	(1,094,288)
<b>Total comprehensive income for the period</b>	<b>6,864,244</b>	260,372
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>5,942,579</b>	129,571
Non-controlling interests	<b>921,665</b>	130,801
<b>Total comprehensive income for the period</b>	<b>6,864,244</b>	260,372

The notes on pages 11 to 53 form part of this interim financial report.

# CONSOLIDATED BALANCE SHEET

As at 30 June 2015

	Notes	30 June 2015 HK\$'000	31 December 2014 HK\$'000
<b>Non-current assets</b>			
Fixed assets		554,967	565,022
Amounts due from investee companies	12	423,059	523,070
Investments in associates	9(a)	14,134,282	12,459,124
Investments in joint ventures	10(a)	602,093	574,328
Available-for-sale securities	11	24,991,045	19,008,521
Financial assets designated at fair value through profit or loss	12	7,539,196	7,102,424
Advances to customers	13	1,324,061	782,334
		<b>49,568,703</b>	41,014,823
<b>Current assets</b>			
Financial assets designated at fair value through profit or loss	12	350,119	468,938
Advances to customers	13	4,485,130	4,109,403
Amount due from an associate	9(c)	19,316	19,321
Amounts due from joint ventures	10(c)	6,067	3,995
Debtors, deposits and prepayments	14	1,814,408	1,194,684
Trading securities	15	1,664,874	1,357,918
Cash and cash equivalents		3,703,063	4,465,289
		<b>12,042,977</b>	11,619,548
Assets classified as held for sale	5	1,269,904	–
		<b>13,312,881</b>	11,619,548
<b>Current liabilities</b>			
Amount due to an investee company	11	(250,040)	(78,969)
Amount due to a joint venture		–	(494)
Trading securities	15	(306,582)	(327,637)
Bank loans	16	(6,128,539)	(4,996,065)
Amount due to a fellow subsidiary and shareholder	17	(1,000,000)	(500,000)
Creditors, deposits received and accrued charges	18	(927,501)	(1,025,892)
Other financial liabilities	22(b)	(3,021,460)	(3,234,796)
Notes payable	19	(27,000)	(27,000)
Provision for taxation		(326,851)	(207,078)
		<b>(11,987,973)</b>	(10,397,931)



# CONSOLIDATED BALANCE SHEET

As at 30 June 2015

	Notes	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Liabilities classified as held for sale	5	(424,970)	–
		(12,412,943)	(10,397,931)
<b>Net current assets</b>		<b>899,938</b>	1,221,617
<b>Total assets less current liabilities</b>		<b>50,468,641</b>	42,236,440
<b>Non-current liabilities</b>			
Amount due to an associate	9(d)	(421,158)	–
Bank loans	16	(4,117,428)	(3,589,936)
Notes payable	19	(30,000)	(30,000)
Deferred tax liabilities		(1,102,890)	(425,918)
		(5,671,476)	(4,045,854)
<b>NET ASSETS</b>		<b>44,797,165</b>	38,190,586
<b>CAPITAL AND RESERVES</b>			
Share capital	21	9,618,097	9,618,097
Reserves		30,742,478	25,356,033
<b>Total equity attributable to equity shareholders of the Company</b>		<b>40,360,575</b>	34,974,130
Non-controlling interests		4,436,590	3,216,456
<b>TOTAL EQUITY</b>		<b>44,797,165</b>	38,190,586

The notes on pages 11 to 53 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to equity shareholders of the Company												
	Notes	Share capital	Share premium	Option premium reserve	Investment revaluation reserve	Capital redemption reserve	Goodwill reserve	Capital reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2015		9,618,097	-	1,242	10,105,489	-	(668,499)	182,900	1,735,377	13,999,524	34,974,130	3,216,456	38,190,586
Net investment by non-controlling shareholdings		-	-	-	-	-	-	-	-	-	-	298,469	298,469
Dividends paid	6(b)	-	-	-	-	-	-	-	-	(556,134)	(556,134)	-	(556,134)
Profit for the period		-	-	-	-	-	-	-	-	3,225,637	3,225,637	336,185	3,561,822
Other comprehensive income for the period		-	-	-	3,140,799	-	-	(513,281)	89,424	-	2,716,942	585,480	3,302,422
As at 30 June 2015		9,618,097	-	1,242	13,246,288	-	(668,499)	(330,381)	1,824,801	16,669,027	40,360,575	4,436,590	44,797,165
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 shareholdings		-	-	-	-	-	-	-	-	-	-	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	6(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	4,488,295	-	(668,499)	182,900	1,667,971	12,844,850	28,135,856	3,467,487	31,603,343

The notes on pages 11 to 53 form part of this interim financial report.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2015

	1 January to 30 June 2015 HK\$'000	1 January to 30 June 2014 HK\$'000
<b>Operating activities</b>		
Cash (used in)/generated from operations	(1,291,822)	503,901
Tax paid	(109,605)	(53,694)
<b>Net cash (used in)/generated from operating activities</b>	<b>(1,401,427)</b>	<b>450,207</b>
<b>Investing activities</b>		
Purchase of available-for-sale securities	(3,016,030)	(781,712)
Proceeds from disposal of available-for-sale securities	2,094,112	821,975
Purchase of financial assets designated at fair value through profit or loss	(1,581,013)	(597,209)
Proceeds from disposal of financial assets designated at fair value through profit or loss	1,669,266	–
Decrease in other financial liabilities	(376,836)	–
Purchase of disposal group held for sale	(795,830)	–
Net cash acquired in obtaining control of a subsidiary	–	77,877
Net cash from losing control of a subsidiary	(20,708)	407,494
Other cash flows arising from investing activities	1,433,153	20,819
<b>Net cash used in investing activities</b>	<b>(593,886)</b>	<b>(50,756)</b>
<b>Financing activities</b>		
Net proceeds from bank loans	1,659,967	799,563
Dividends paid	(556,134)	(337,051)
Loan proceeds from a fellow subsidiary and shareholder	500,000	–
Other cash flows arising from financing activities	339,070	134,643
<b>Net cash generated from financing activities</b>	<b>1,942,903</b>	<b>597,155</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(52,410)</b>	<b>996,606</b>
<b>Cash and cash equivalents</b>		
Beginning of the period	3,742,555	2,833,707
Exchange rate adjustments	12,918	(11,882)
End of the period	3,703,063	3,818,431
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balance and cash - general accounts	3,703,063	4,705,896
Deposit pledged	–	(887,465)
End of the period	3,703,063	3,818,431

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2015

## Losing Control of a Subsidiary

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

	1 January to 30 June 2015 HK\$'000	1 January to 30 June 2014 HK\$'000
Proceeds from losing control of a subsidiary	10,987	407,953
Less: Cash of a subsidiary	(31,695)	(459)
Net cash from losing control of a subsidiary	(20,708)	407,494
Less: Other debtors and prepayment	(89,125)	(507,405)
Add: Creditors, deposit received and accrued charges	107,014	630
	(2,819)	(99,281)
Add: Associates exempted from applying the equity method and were recognised as a financial assets designated at fair value through profit or loss	–	100,099
(Loss)/gain on losing control of a subsidiary	(2,819)	818

The notes on pages 11 to 53 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 2015.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for those described in note 2.

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.

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

The comparative information of the above has been restated to conform to the current period’s presentation.

## 2. Changes in Accounting Policies

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group:

*Annual Improvements to HKFRSs 2010-2012 Cycle*

*Annual Improvements to HKFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

# NOTES TO THE FINANCIAL REPORT

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

Turnover from operations represents the aggregate of service fee income, interest income, dividend income 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:

	1 January to 30 June 2015 HK\$'000	1 January to 30 June 2014 HK\$'000
<b>Operating income</b>		
Consultancy and management fee income	145,641	82,378
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	25,865	26,964
– advances to customers	211,957	168,536
– unlisted debt securities	58,790	23,823
Dividend income		
– listed investments	382,994	367,046
– unlisted investments	113,049	114,125
Net realised gain/(loss) on trading securities		
– equity securities	187,517	(5,801)
– debt securities	2,693	(214)
– derivatives	383	1,423
Net unrealised gain/(loss) on trading securities		
– equity securities	40,008	(3,158)
– debt securities	(963)	(508)
– derivatives	712	966
Gross rental income from investment properties	2,155	1,763
	<b>1,170,801</b>	<b>777,343</b>

# NOTES TO THE FINANCIAL REPORT

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

	1 January to 30 June 2015 HK\$'000	1 January to 30 June 2014 HK\$'000
<b>Other net income</b>		
Net realised gain on disposal of available-for-sale securities	512,069	375,077
Net realised gain on disposal of financial assets designated at fair value through profit or loss	765,065	–
Unrealised (loss)/gain on financial assets designated at fair value through profit or loss	(112,925)	594,180
Reversal of impairment loss on debtors, deposits and prepayments	36,018	–
Reversal of impairment loss on amount due from an investee company	7,291	–
(Loss)/gain on losing control of a subsidiary	(2,819)	818
Net exchange loss	(13,731)	(41,293)
Others	6,497	25,951
	<b>1,197,465</b>	<b>954,733</b>

# NOTES TO THE FINANCIAL REPORT

## 4. Income Tax

The provision for Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the six months ended 30 June 2015. 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 2015 HK\$'000	1 January to 30 June 2014 HK\$'000
Current taxation		
– Overseas taxation	(297,829)	(80,282)
– Over provision in respect of Hong Kong profits tax in prior years	68,437	51,374
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	(95,902)	(6,969)
Income tax expense	(325,294)	(35,877)

## 5. Discontinued Operations

On 9 March 2015, the Group acquired 97.85% equity interest in Burke E. Porter Machinery Company and its subsidiaries (“BEP”), with a view to hold for resale within one year. The Group is currently building up its Global Mergers and Acquisition Fund (“Global M&A Fund”) in order to capitalise on opportunities accorded to Chinese enterprises venturing overseas. The Group expects to launch the Global M&A Fund within one year and intends to assign the equity interest of BEP into the Global M&A Fund. The relevant equity interest acquired meets the criteria to be classified as held for sale on acquisition in accordance with HKFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

BEP is headquartered in the state of Michigan, USA. The principal activities are design, manufacturing, and distribution of automotive testing equipment and manufacture precision machined products for the worldwide automotive manufacturing market.

Accordingly, BEP is classified as disposal group held for sale. A single amount is presented on the face of the Group’s consolidated income statement, which comprises the post-tax profit or loss of BEP and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the disposal group constituting the discontinued operations (if any). The aggregate balances of assets and liabilities of BEP have been presented in the Group’s consolidated balance sheet as assets classified as held for sale and liabilities classified as held for sale respectively.



# NOTES TO THE FINANCIAL REPORT

## 6. Dividends

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

	1 January to 30 June 2015 HK\$'000	1 January to 30 June 2014 HK\$'000
– Interim dividend declared after the balance sheet date of HK\$0.25 (2014: HK\$0.15) per share	421,313	252,788

The directors declared an interim dividend of HK\$0.25 per share (2014: HK\$0.15 per share) for the six months period ended 30 June 2015. The interim dividends are not reflected as dividend payable in the financial statements.

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

	1 January to 30 June 2015 HK\$'000	1 January to 30 June 2014 HK\$'000
– Final dividend in respect of the previous financial year, approved and paid during the period of HK\$0.33 (2014: HK\$0.20) per share	556,134	337,051

# NOTES TO THE FINANCIAL REPORT

## 7. Other Comprehensive Income

Reclassification adjustments relating to components of the other comprehensive income

	1 January to 30 June 2015 HK\$'000	1 January to 30 June 2014 HK\$'000
Available-for-sale securities:		
Changes in fair value recognised during the period	4,053,837	(456,430)
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	(512,069)	(375,077)
– impairment losses	7,764	69,683
Net movement in investment revaluation reserve during the period recognised in other comprehensive income	3,549,532	(761,824)

## 8. Earnings Per Share

### Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the six months period ended 30 June 2015 is based on the profit attributable to equity shareholders of the Company for continuing and discontinued operations of HK\$3,201,736,000 and HK\$23,901,000 respectively (six months ended 30 June 2014 for continuing operations: HK\$1,152,226,000) and the weighted average number of 1,685,253,712 shares (six months ended 30 June 2014: 1,695,649,756 shares) in issue during the period.

# NOTES TO THE FINANCIAL REPORT

## 9. Investments in Associates

### (a) Investments in associates

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Carrying value, net	14,134,282	12,459,124

### (b) As at 30 June 2015, 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%*
China Aircraft Leasing Group Holdings Limited <sup>#</sup> ("CALGH")	Cayman Islands	Investment holding (note 2)	34.27%** (note 3)
首譽光控資產管理有限公司	The PRC	Assets management (note 4)	35%**
重慶融科光控實業發展有限公司	The PRC	Investment holding (note 5)	24.99%**

# NOTES TO THE FINANCIAL REPORT

## 9. Investments in Associates (continued)

### (b) As at 30 June 2015, particulars of principal associates of the Group are as follows: (continued)

- # Market value of the listed shares in Mainland China as at 30 June 2015 was HK\$38,384,625,000 (31 December 2014: HK\$40,659,001,000).
- ## Market value of the listed shares in Hong Kong as at 30 June 2015 was HK\$2,122,075,000 (31 December 2014, HK\$2,355,426,000).
- \* 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: CALGH is an associate of the Group to capture multiple opportunities along the aircraft value chain arising from the rapid growth of aviation industry. Being the largest independent aircraft lessor in China, CALGH's lease offerings are complemented by fleet planning consultation, structured leasing, aircraft trading and re-marketing and aircraft disassembly.

Note 3: The Company's equity interest was diluted from 35.33% to 34.27% during the period due to the exercise of share options by investors of CALGH. Accordingly, a loss on deemed disposal of interest in an associate amounting to HK\$20,274,000 was charged to the consolidated income statement.

Note 4: 首譽光控資產管理有限公司 is one of the Group's assets management companies.

Note 5: 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 2015, Everbright Securities has recorded an after tax profit of RMB4,878 million (six months ended 30 June 2014: RMB381 million) and the Group's share of profit as per the associates' financial statements, under equity accounting method, amounted to HK\$2,033 million (six months ended 30 June 2014: HK\$160 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.

# NOTES TO THE FINANCIAL REPORT

## 9. Investments in Associates (continued)

### (c) Amount due from an associate

Amount due from an associate is unsecured, interest free and has no fixed terms of repayment.

### (d) Amount due to an associate

Amount due to an associate is unsecured, interest free and has fixed terms of repayments.

## 10. Investments in Joint Ventures

### (a) Investments in joint ventures

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Carrying value, net	602,093	574,328

### (b) As at 30 June 2015, 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)	RMB320,000,000	50.0%*
山東高速光控產業投資基金管理有限公司	The PRC	Fund management (note 2)	RMB200,000,000	48.0%*
上海嘉寶安石置業有限公司	The PRC	Real estate development and leasing (note 3)	RMB294,300,000	30.8%*

\* 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

## 10. Investments in Joint Ventures (continued)

### (b) As at 30 June 2015, details of the Group's investments in joint ventures are mainly as follows: (continued)

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

Note 3: 上海嘉寶安石置業有限公司 is a joint venture of the Group to invest in real estate development and leasing sectors 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 2015. 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.

## 11. Available-For-Sale Securities

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
At fair value:		
Listed equity securities:		
– in Hong Kong	1,275,453	343,691
– outside Hong Kong	15,310,587	11,039,415
Unlisted equity securities		
– in Hong Kong	879,267	428,511
– outside Hong Kong	6,660,917	5,940,378
Listed debts securities		
– in Hong Kong	5,722	575,308
– outside Hong Kong	92,983	99,316
Unlisted debts securities	260,011	61,558
At cost <sup>(i)</sup> :		
Unlisted equity securities	506,105	520,344
	<b>24,991,045</b>	<b>19,008,521</b>

- (i) At 30 June 2015, 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.

# NOTES TO THE FINANCIAL REPORT

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

The Group's investment in listed equity securities with fair value of HK\$2,433,844,000, HK\$951,486,000, HK\$405,766,000 and HK\$972,635,000 are subject to a lock-up provision which restricted the Group from selling the equity securities on or before 25 September 2015, 24 November 2015, 22 April 2016 and 19 May 2018 respectively.

As at 30 June 2015, a balance of HK\$250,040,000 (31 December 2014: HK\$78,969,000) was due to an investee company which was recognised as available-for-sale securities. The amount due to an investee company is unsecured, interest free and has no fixed terms of repayment.

	30 June 2015 HK\$'000	31 December 2014 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	52,976	65,169
– outside Hong Kong	7,840	7,970
Unlisted equity securities	291,211	232,034
	<b>352,027</b>	305,173

As at 30 June 2015, 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 2015:

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	3.37%

- (i) As at 30 June 2015, the carrying value of interests in Everbright Bank exceeded 10% of total assets of the Group.

# NOTES TO THE FINANCIAL REPORT

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

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
<b>Non-current assets</b>		
At fair value:		
Hong Kong listed equity securities	466,536	41,955
Overseas listed equity securities	1,876,790	2,000,993
Overseas unlisted equity securities/ collective investment schemes	3,055,994	3,279,147
Overseas unlisted convertible preference shares	1,177,084	1,237,976
Overseas unlisted debt securities	962,792	542,353
	<b>7,539,196</b>	7,102,424
<b>Current assets</b>		
At fair value:		
Overseas unlisted equity securities/ collective investment schemes	350,119	468,938

As at 30 June 2015, the Group's overseas listed and unlisted equity securities amounting to a fair value of HK\$3,685,503,000 (31 December 2014: HK\$4,464,874,000) 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 2015, balances of HK\$423,059,000 (31 December 2014: HK\$523,070,000) were due from these investee companies which were associates and 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.



# NOTES TO THE FINANCIAL REPORT

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

(continued)

In 2014, the Group purchased certain unlisted financial assets designated at fair value through profit or loss at a purchase price which was below the fair value at inception that would be determined at that date using a valuation technique. According to the Group's accounting policy, the difference yet to be recognised in the income statement is as follows:

	2015 HK\$'000	2014 HK\$'000
As at 1 January	544,939	–
Addition for the period/year	264,240	544,939
As at 30 June/31 December	809,179	544,939

## 13. Advances to Customers

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
<b>Non-current assets</b>		
Term loans to customers		
– secured	194,398	194,478
– unsecured	1,129,663	587,856
	1,324,061	782,334
<b>Current assets</b>		
Term loans to customers		
– secured	2,946,123	2,641,242
– unsecured	1,539,007	1,468,161
	4,485,130	4,109,403

Certain term loans to customers are secured by listed and unlisted securities, third parties guarantees or leasehold land in Mainland China (see note 25(a)).

# NOTES TO THE FINANCIAL REPORT

## 14. Debtors, Deposits and Prepayments

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Accounts receivable	1,412,184	935,518
Deposits, prepayments, interest and other receivables	402,224	470,166
	<b>1,814,408</b>	1,405,684
Less: Allowance of doubtful debt	–	(211,000)
	<b>1,814,408</b>	1,194,684

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

As at 31 December 2014, the Group's receivable of HK\$426,432,000 was individually determined to be impaired.

# NOTES TO THE FINANCIAL REPORT

## 15. Trading Securities

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
<b>Current assets</b>		
At fair value:		
Listed equity securities:		
– in Hong Kong	498,551	570,018
– outside Hong Kong	641,936	387,184
Listed debt securities:		
– in Hong Kong	–	4,379
– outside Hong Kong	86,846	47,174
Unlisted debt securities	318,031	345,926
Derivatives:		
– listed	315	933
– unlisted	119,195	2,304
	<b>1,664,874</b>	<b>1,357,918</b>
<b>Current liabilities</b>		
At fair value:		
Listed equity securities		
– in Hong Kong	(133,800)	(102,859)
– outside Hong Kong	(145,425)	(153,445)
Unlisted debt securities	(22,368)	(66,167)
Derivatives:		
– listed	(924)	(1,529)
– unlisted	(4,065)	(3,637)
	<b>(306,582)</b>	<b>(327,637)</b>

# NOTES TO THE FINANCIAL REPORT

## 16. Bank Loans

As at 30 June 2015, the bank loans were repayable as follows:

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Within 1 year	6,128,539	4,996,065
After 1 year but within 5 years	4,069,482	3,538,285
After 5 years	47,946	51,651
	4,117,428	3,589,936
	10,245,967	8,586,001

As at 30 June 2015, the bank loans were secured as follows:

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Bank Loans		
– secured	47,946	927,001
– unsecured	10,198,021	7,659,000
	10,245,967	8,586,001

As at 30 June 2015, bank loans of the Group of HK\$47,946,000 (31 December 2014: HK\$927,001,000) were secured by property situated in Mainland China.

## 17. 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

## 18. Creditors, Deposits Received and Accrued Charges

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Creditors, deposits received and accrued charges	927,501	1,025,892

As at 30 June 2015, creditors, deposits received and accrued charges included bonus payable to staff.

## 19. Notes Payable

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
<b>Non-current liabilities</b>		
Unlisted notes issued by the Group, at fair value	30,000	30,000
<b>Current liabilities</b>		
Unlisted notes issued by the Group, at fair value	27,000	27,000

As at 30 June 2015, the Group issued three notes to two independent third parties and the notes payable are interest-bearing, two of them have fixed repayment terms while one of them is repayable on demand.

# NOTES TO THE FINANCIAL REPORT

## 20. Maturity Profile As at 30 June 2015

	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	-	-	1,732,553	2,752,577	1,324,061	-	5,809,191
- Trading securities	1,152,216	-	512,658	-	-	-	1,664,874
- Available-for-sale securities	24,632,329	-	-	-	358,716	-	24,991,045
- Financial assets designated at fair value through profit or loss	6,576,404	-	62,510	287,609	962,792	-	7,889,315
- Cash and cash equivalents	-	3,047,335	655,728	-	-	-	3,703,063
	32,360,949	3,047,335	2,963,449	3,040,186	2,645,569	-	44,057,488
<b>Liabilities</b>							
- Bank loans	-	-	-	(6,128,539)	(4,069,482)	(47,946)	(10,245,967)
- Amount due to a fellow subsidiary and shareholder	-	-	(1,000,000)	-	-	-	(1,000,000)
- Other financial liabilities	-	(3,021,460)	-	-	-	-	(3,021,460)
- Trading securities	(306,582)	-	-	-	-	-	(306,582)
- Notes payable	-	(27,000)	-	-	(30,000)	-	(57,000)
	(306,582)	(3,048,460)	(1,000,000)	(6,128,539)	(4,099,482)	(47,946)	(14,631,009)

# NOTES TO THE FINANCIAL REPORT

## 20. Maturity Profile (continued) As at 31 December 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	-	-	1,313,025	2,796,378	782,334	-	4,891,737
- Trading securities	960,313	-	389,275	8,330	-	-	1,357,918
- Available-for-sale securities	18,842,421	-	-	-	149,715	16,385	19,008,521
- Financial assets designated at fair value through profit or loss	6,560,071	-	-	468,938	542,353	-	7,571,362
- Cash and cash equivalents	-	2,116,974	2,348,315	-	-	-	4,465,289
	26,362,805	2,116,974	4,050,615	3,273,646	1,474,402	16,385	37,294,827
<b>Liabilities</b>							
- Bank loans	-	-	(1,538,670)	(3,457,395)	(3,538,285)	(51,651)	(8,586,001)
- Amount due to a fellow subsidiary and shareholder	-	-	(500,000)	-	-	-	(500,000)
- Other financial liabilities	-	(3,234,796)	-	-	-	-	(3,234,796)
- Trading securities	(327,637)	-	-	-	-	-	(327,637)
- Notes payable	-	(27,000)	-	-	(30,000)	-	(57,000)
	(327,637)	(3,261,796)	(2,038,670)	(3,457,395)	(3,568,285)	(51,651)	(12,705,434)

# NOTES TO THE FINANCIAL REPORT

## 21. Share Capital

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
<b>Ordinary shares issued and fully paid:</b>		
At 1 January	9,618,097	1,720,100
Shares repurchased	–	(34,846)
Transition to no-par value regime on 3 March 2014 (note)	–	7,932,843
End of period/year	9,618,097	9,618,097

Note: The transition to the no-par value regime under the Hong Kong Companies Ordinance (Cap. 622) occurred automatically on 3 March 2014. On the date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been in accordance with the requirements of Parts 4 and 5 of the Ordinance.



# NOTES TO THE FINANCIAL REPORT

## 22. Material Related Party Transactions

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

	1 January to 30 June 2015 HK\$'000	1 January to 30 June 2014 HK\$'000
Rental income from a fellow subsidiary	120	120
Management fee received from:		
– a joint venture	2,925	3,129
– an associate exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss	3,436	6,735
Realised gain on disposal of available-for-sale securities from a fellow subsidiary	–	251,802
Loan interest income from associates exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss	9,517	12,119
Consultancy and other service income		
– associates	28,333	–
– a joint venture	–	15,503
Interest expense to a fellow subsidiary and shareholder	11,445	6,718

# NOTES TO THE FINANCIAL REPORT

## 22. 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:

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Amounts due from associates (included in debtors, deposits and prepayments)	93,986	18,960
Loan to associates exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss (included in advances to customers)	247,949	646,946
Amount due to an associate (included in other financial liabilities)	(3,021,460)	(3,234,796)

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

Loan to associates 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

## 23. Contingent Liabilities

### Corporate guarantee

	Note	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Guarantee given to financial institution in respect of banking facilities granted to subsidiaries	i	1,250,200	875,350

Note:

- i. The Group's subsidiaries have utilised HK\$375,060,000 of these banking facilities as at 30 June 2015 (31 December 2014: HK\$875,350,000).

## 24. Commitments

### (a) Capital commitments

As at 30 June 2015, the Group had capital commitments as follows:

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Contracted but not provided for	1,002,608	3,009,784

### (b) Operating lease commitments

Operating lease commitments as at 30 June 2015 amounted to approximately HK\$18,971,000 (31 December 2014: HK\$210,000) of which HK\$7,679,000 (31 December 2014: HK\$210,000) is payable in the next twelve months. The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Not later than one year	7,679	210
Later than one year and not later than five years	11,292	–
	18,971	210

# NOTES TO THE FINANCIAL REPORT

## 24. 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 2015 are detailed as follows:

	Fair value assets/ (liabilities)		Contractual/ notional amounts	
	30 June 2015 HK\$'000	31 December 2014 HK\$'000	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Assets derivative contracts	119,510	3,237	466,717	227,094
Liabilities derivative contracts	(4,989)	(5,166)	237,558	119,048

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

## 25. Financial Instruments

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

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

### (a) Credit risk

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

For advances to customers, the Group may require collateral from customers before advances are granted. The amount of advance permitted depends on the quality and value of collateral provided by the customer. Any subsequent change in value as well as quality, of collateral is closely monitored in order to determine whether any corrective action is required. For those unsecured loans granted to customers, the Group will carefully review the credit risk and market conditions before any unsecured loans are granted; furthermore, the Group has performed periodically credit review on these customers to closely monitor their repayment ability.

# NOTES TO THE FINANCIAL REPORT

## 25. 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 listed and unlisted securities, third parties guarantees or leasehold land in Mainland China of HK\$3,141 million (31 December 2014: HK\$2,836 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 23, 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\$1,250 million (31 December 2014: HK\$875 million).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from advances to customers are set out in notes 13 and 20.

# NOTES TO THE FINANCIAL REPORT

## 25. 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

## 25. 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, Singapore dollars or Renminbi, management is aware of the likely increase in volatility in these currencies and takes a balanced view when considering the management of currency risk.

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

### (e) Equity price risk

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

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

The performance of the Group's 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

## 25. 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 2015</b>					
Trading securities	966,852	-	966,852	(306,451)	660,401
Debtors, deposits and prepayments	224,763	-	224,763	-	224,763
<b>As at 31 December 2014</b>					
Trading securities	726,094	-	726,094	(310,793)	415,301
Debtors, deposits and prepayments	370,797	-	370,797	-	370,797

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 2015</b>					
Trading securities	306,582	-	306,582	(306,451)	131
Creditors, deposits received and accrued charges	-	-	-	-	-
<b>As at 31 December 2014</b>					
Trading securities	327,637	-	327,637	(310,793)	16,844
Creditors, deposits received and accrued charges	55,701	-	55,701	-	55,701

# NOTES TO THE FINANCIAL REPORT

## 25. Financial Instruments (continued)

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

Reconciliation to the net amount of financial assets and financial liabilities presented in the balance sheet:

	Net amount HK\$'000	Carrying amounts in the balance sheet HK\$'000	Financial assets not in scope of offsetting disclosure HK\$'000	Note
<b>As at 30 June 2015</b>				
Trading securities	966,852	1,664,874	698,022	15
Debtors, deposit and prepayments	224,763	1,814,408	1,589,645	14
<b>As at 31 December 2014</b>				
Trading securities	726,094	1,357,918	631,824	15
Debtors, deposit and prepayments	370,797	1,194,684	823,887	14

  

	Net amount HK\$'000	Carrying amounts in the balance sheet HK\$'000	Financial liabilities not in scope of offsetting disclosure HK\$'000	Note
<b>As at 30 June 2015</b>				
Trading securities	306,582	306,582	-	15
Creditors, deposit received and accrued charges	-	927,501	927,501	18
<b>As at 31 December 2014</b>				
Trading securities	327,637	327,637	-	15
Creditors, deposit received and accrued charges	55,701	1,025,892	970,191	18

# NOTES TO THE FINANCIAL REPORT

## 26. 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 and Risk Management 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 and Risk Management Committee is held twice a year to coincide with the reporting dates.

# NOTES TO THE FINANCIAL REPORT

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

As at 30 June 2015

	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	16,684,745	438,937	7,867,363	24,991,045
Financial assets designated at fair value through profit or loss	2,343,326	-	5,545,989	7,889,315
Trading securities	1,227,648	437,226	-	1,664,874
	20,255,719	876,163	13,413,352	34,545,234
<b>Liabilities</b>				
Notes payable	-	-	(57,000)	(57,000)
Trading securities	(280,149)	(26,433)	-	(306,582)
	(280,149)	(26,433)	(57,000)	(363,582)

# NOTES TO THE FINANCIAL REPORT

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

As at 31 December 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	12,119,288	–	6,889,233	19,008,521
Financial assets designated at fair value through profit or loss	2,042,948	–	5,528,414	7,571,362
Trading securities	1,056,368	301,550	–	1,357,918
	15,218,604	301,550	12,417,647	27,937,801
<b>Liabilities</b>				
Notes payable	–	–	(57,000)	(57,000)
Trading securities	(257,833)	(69,804)	–	(327,637)
	(257,833)	(69,804)	(57,000)	(384,637)

As at 30 June 2015, one of the available-for-sales securities with a fair value of HK\$405,766,000 (31 December 2014: HK\$88,972,000) was previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As unadjusted quoted price is available in active market, the fair value measurement of this equity security was accordingly transferred from level 3 to level 1 of the fair value hierarchy. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. The other one of the available-for-sales securities with fair value of HK\$175,488,000 (31 December 2014: HK\$129,024,000) was previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. During the current period, observable inputs were obtained and applied to the valuation technique, accordingly the investment was transferred from Level 3 to Level 2 of the fair value hierarchy during the period.

# NOTES TO THE FINANCIAL REPORT

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

As at 30 June 2015, one of the financial assets designated at fair value through profit or loss with a fair value of HK\$153,052,000 (31 December 2014: HK\$152,463,000) was previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As unadjusted quoted price is available in active market, the fair value measurement of this equity security was accordingly transferred from level 3 to level 1 of the fair value hierarchy. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

### 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 2015

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%)	(5,712) 5,712	(73,465) 73,465
	Market multiples	1 to 36	5% (5%)	6,062 (6,062)	164,266 (164,266)
Term and reversion approach	Adjusting factor on characteristic of the properties	0.77 to 1.00	5% (5%)	- -	11,646 (11,646)
Market approach	Adjusting factor on characteristic of the properties	0.85 to 1.19	5% (5%)	- -	18,743 (18,743)

# NOTES TO THE FINANCIAL REPORT

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

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

As at 31 December 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%)	(911) 911	(102,552) 102,552
	Market multiples	2 to 66	5% (5%)	1,264 (1,264)	177,536 (177,536)
Term and reversion approach	Adjusting factor on characteristic of the properties	0.88 to 0.89	5% (5%)	- -	12,816 (12,816)
Market approach	Adjusting factor on characteristic of the properties	0.84 to 1.05	5% (5%)	- -	10,803 (10,803)

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.

# NOTES TO THE FINANCIAL REPORT

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

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

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.

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 2014	16,823	6,327,390	2,536,209	(7,268)	(47,000)
Purchased/(issued)	-	1,879,601	3,287,994	-	(10,000)
Net unrealised gain or loss recognised in other comprehensive income	-	1,069,783	-	-	-
Net unrealised gain or loss recognised in profit or loss	-	-	(102,682)	-	-
(Sales)/repurchased	(16,823)	(1,080,087)	(193,107)	7,268	-
Reclassification	-	(1,307,454)	-	-	-
At 31 December 2014 and 1 January 2015	-	6,889,233	5,528,414	-	(57,000)
Purchased	-	1,144,231	1,251,248	-	-
Net unrealised gain or loss recognised in other comprehensive income	-	1,069,756	-	-	-
Net unrealised gain or loss recognised in profit or loss	-	-	(60,129)	-	-
Sales	-	(654,603)	(540,169)	-	-
Reclassification	-	(581,254)	(633,375)	-	-
At 30 June 2015	-	7,867,363	5,545,989	-	(57,000)



# NOTES TO THE FINANCIAL REPORT

## 27. Segment Information

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

### Fund Management Business

Fund management business refers that the Group raises funds from specific clients, applies its knowledge and experience to make investment decisions on the fund's external assets under management and the seed capital from the Group, according to laws, regulations and fund prospectus, while seeking to maximise gains for fund holders. The fund management business is divided into primary market investment, secondary market investment, mezzanine funds and Everbright Prestige.

- Primary market investment includes:
  - Private equity funds – investment in unlisted equity securities and/or equity derivatives with meaningful equity position for participating in the ongoing management of these companies, and with an ultimate objective of capital gain on investee's equity listing or through other exit channels;
  - Venture capital funds – invest primarily in companies at the start-up and development stage, or companies which are still in the business planning stage. The investment goal is to achieve a higher return assuming manageable and higher risk by providing investee companies with assistance in investment, financing, management and listing in order to enhance the development of such companies; and
  - Sector focus funds – focus specifically on long term equity investment in specific industries or merger and acquisition opportunities. The investment areas include real estate, infrastructure, medical and healthcare, resources assets (including low carbon and new energy industries), as well as merger and acquisition opportunities.

# NOTES TO THE FINANCIAL REPORT

## 27. Segment Information (continued)

### Fund Management Business (continued)

- Secondary market investment – provides a diversified range of financial services, including asset management, investment management and investment advisory activities. Products include absolute returns funds, bond funds and equity funds.
- Mezzanine funds – focus on private equity investment, pre-IPO financing and structured financing for listed companies and major shareholders of listed companies. It uses foreign currencies and/or renminbi flexibly to fulfill the onshore and offshore financial needs of its target companies. The investment team follows clear, uncomplicated investment philosophies by adopting a conservative, diversified and flexible investment approach that aims for above-market returns on investment with below-average levels of business risk.
- Everbright Prestige – Everbright Prestige engages in asset management for specific clients and other business activities authorised by the China Securities Regulatory Commission. The business can provide advisory services directly to specific customers including Qualified Foreign Institutional Investors, onshore insurance companies and other institutions which are set up and operate according to the law. Everbright Prestige has become an important carrier and business platform for the Group's asset management business in Mainland China, demonstrating its value in four areas including AUM contribution, product creation and design, distribution channels and client consolidation, and the creation of more “Everbright” synergy.

### Principal investment

The Group fully utilises its proprietary capital to achieve three goals: (1) nurture investment teams and develop high quality financial products to support fund management; (2) invests in the Group's or external projects, funds or products to maximise returns within risk control levels and contribute to steady long-term revenue, (3) improve cash flow by treasury management.

### Strategic Investment

Strategic investment in Everbright Securities and Everbright Bank.

### Other segments

Those 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.

# NOTES TO THE FINANCIAL REPORT

## 27. Segment Information (continued)

### Business segments

For the six months period ended 30 June 2015:

	Continuing operations										Discontinued operations	Total HK\$'000
	Fund Management Business										Principal Investment HK\$'000	
	Primary Market HK\$'000	Secondary Market HK\$'000	Mezzanine Fund HK\$'000	Everbright Prestige HK\$'000	Principal Investment HK\$'000	Strategic Investment HK\$'000	Reportable segments total HK\$'000	All other segments HK\$'000	Sub-total HK\$'000			
<b>REVENUE</b>												
Operating income from external customers	115,328	218,225	22,931	-	435,154	365,720	1,157,358	13,443	1,170,801	-	-	1,170,801
Other net income from external customers	768,563	8,665	-	-	328,870	87,978	1,194,076	3,389	1,197,465	-	-	1,197,465
Total operating income and other net income	883,891	226,890	22,931	-	764,024	453,698	2,351,434	16,832	2,368,266	-	-	2,368,266
<b>RESULTS AND RECONCILIATION OF SEGMENT RESULTS</b>												
Segment results before non-controlling interests	780,727	181,320	16,852	(816)	548,830	448,690	1,975,603	16,831	1,992,434	23,901	-	2,016,335
Unallocated head office and corporate expenses												(278,949)
Share of profits less losses of associates, as per the associates' financial statements	8,179	-	-	13,216	48,850	2,068,247	2,138,492	-	2,138,492	-	-	2,138,492
Share of profits less losses of joint ventures, as per the joint ventures' financial statements	23,512	-	-	-	-	-	23,512	-	23,512	-	-	23,512
Loss on deemed disposal of interest in an associate	-	-	-	-	(20,274)	-	(20,274)	-	(20,274)	-	-	(20,274)
Adjustments to share of profit less losses to conform with the Group's accounting policies	8,000	-	-	-	-	-	8,000	-	8,000	-	-	8,000
Profit before taxation												3,887,116
Less: non-controlling interests	(326,495)	(1,160)	(6,229)	-	(2,386)	-	(336,270)	85	(336,185)	-	-	
Segment results	493,923	180,160	10,623	12,400	575,020	2,516,937	3,789,063	16,916	3,805,979	23,901	-	

# NOTES TO THE FINANCIAL REPORT

## 27. Segment Information (continued)

For the six months period ended 30 June 2014 (Restated):

*Continuing operations*

	Fund Management Business							All other segments HK\$'000	Total HK\$'000
	Primary Market HK\$'000	Secondary Market HK\$'000	Mezzanine Fund HK\$'000	Everbright Prestige HK\$'000	Principal Investment HK\$'000	Strategic Investment HK\$'000	Reportable segment total HK\$'000		
<b>REVENUE</b>									
Operating income from external customers	161,227	18,814	20,455	-	204,683	350,038	755,217	22,126	777,343
Other net income from external customers	678,164	(6,677)	-	-	47,299	251,802	970,588	(15,855)	954,733
Total operating income and other net income	839,391	12,137	20,455	-	251,982	601,840	1,725,805	6,271	1,732,076
<b>RESULTS AND RECONCILIATION OF SEGMENT RESULTS</b>									
Segment results before non-controlling interests	507,860	(29,213)	14,451	-	83,169	599,322	1,175,589	(7,189)	1,168,400
Unallocated head office and corporate expenses									(111,482)
Share of profits less losses of associates, as per the associates' financial statements	104,584	-	-	120	-	164,262	268,966	-	268,966
Share of profits less losses of joint ventures, as per the joint ventures' financial statements	15,341	-	-	-	37,437	-	52,778	-	52,778
Adjustments to share of profits less losses to conform with the Group's accounting policies	(36,442)	-	-	-	-	51,427	14,985	(3,110)	11,875
Profit before taxation									1,390,537
Less: non-controlling interests	(196,883)	-	(4,929)	-	(755)	-	(202,567)	133	
Segment results	394,460	(29,213)	9,522	120	119,851	815,011	1,309,751	(10,166)	

# NOTES TO THE FINANCIAL REPORT

## 27. Segment Information (continued)

### Other Information

As at 30 June 2015:

	Continuing operations									Discontinued operations	Total HK\$'000
	Fund Management Business									Principal Investment HK\$'000	
	Primary Market HK\$'000	Secondary Market HK\$'000	Mezzanine Fund HK\$'000	Everbright Prestige HK\$'000	Principal Investment HK\$'000	Strategic Investment HK\$'000	Reportable segments total HK\$'000	All other segments HK\$'000	Sub-total HK\$'000		
Segment assets	14,538,402	2,945,328	667,327	-	16,970,691	10,539,016	45,660,762	573,539	46,234,301	1,269,904	47,504,205
Investments in associates	366,625	-	-	79,588	661,467	13,026,602	14,134,282	-	14,134,282	-	14,134,282
Investments in joint ventures	602,093	-	-	-	-	-	602,093	-	602,093	-	602,093
Amounts due from investee companies											423,059
Amount due from an associate											19,316
Amounts due from joint ventures											6,067
Unallocated head office and corporate assets											192,562
Total assets											62,881,584
Segment liabilities	301,013	365,840	-	-	4,831,075	-	5,497,928	2,289	5,500,217	424,970	5,925,187
Amount due to an associate											421,158
Amount due to an investee company											250,040
Provision for taxation											326,851
Deferred tax liabilities											1,102,890
Unallocated head office and corporate liabilities											10,058,293
Total liabilities											18,084,419

# NOTES TO THE FINANCIAL REPORT

## 27. Segment Information (continued)

As at 31 December 2014 (Restated):

### Continuing operations

	Fund Management Business							All other segments HK\$'000	Total HK\$'000
	Primary Market HK\$'000	Secondary Market HK\$'000	Mezzanine Fund HK\$'000	Everbright Prestige HK\$'000	Principal Investment HK\$'000	Strategic Investment HK\$'000	Reportable segment total HK\$'000		
Segment assets	11,606,380	2,159,559	337,506	-	13,838,341	9,950,284	37,892,070	946,050	38,838,120
Investments in associates	-	350,509	-	64,090	620,939	11,423,586	12,459,124	-	12,459,124
Investments in joint ventures	574,328	-	-	-	-	-	574,328	-	574,328
Amounts due from investee companies									523,070
Amount due from an associate									19,321
Amounts due from joint ventures									3,995
Unallocated head office and corporate assets									216,413
<b>Total assets</b>									<b>52,634,371</b>
Segment liabilities	319,443	342,127	-	-	5,604,197	-	6,265,767	44,714	6,310,481
Amount due to a joint venture									494
Amount due to an investee company									78,969
Provision for taxation									207,078
Deferred tax liabilities									425,918
Unallocated head office and corporate liabilities									7,420,845
<b>Total liabilities</b>									<b>14,443,785</b>

# NOTES TO THE FINANCIAL REPORT

## 27. Segment Information (continued)

### Geographical segments

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's 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 2015			For the six months period ended 30 June 2014		
	Hong Kong	Mainland China	Total	Hong Kong	Mainland China	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Operating income	1,049,322	121,479	1,170,801	453,587	323,756	777,343
Other net income	874,586	322,879	1,197,465	855,537	99,196	954,733
	1,923,908	444,358	2,368,266	1,309,124	422,952	1,732,076

	30 June 2015			31 December 2014		
	Hong Kong	Mainland China	Total	Hong Kong	Mainland China	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Specified non-current assets	1,138,176	14,153,166	15,291,342	1,522,620	12,075,854	13,598,474

# 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 53 which comprises the consolidated balance sheet of China Everbright Limited (the “Company”) as of 30 June 2015 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.

## 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 2015 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 2015



# BUSINESS REVIEW AND PROSPECTS

The global economy showed various performance from region to region in the first half of 2015. In the US, the economy gained momentum and enjoyed moderate expansion, as employment rebounded and inflationary pressures remained in check. In Europe, lending rates fell while monetary and loan growth continued to increase, and a moderate rebound in GDP growth indicated the positive effects of quantitative easing by the European Central Bank. However, the risk sentiment triggered by the debt crisis in Greece continued to loom large, and challenges to the Euro's single-currency system are expected. Economic growth picked up in Japan, but consumption remained sluggish, and there was no substantial increase in public investment. Despite a slight rebound in exports, the country's growth prospects are not bright. In China, economic fundamentals showed signs of stabilising, but growth-related data stayed on the low side. The government is expected to adhere to monetary easing policies as the country's stock markets continue to experience volatility. Factors both in and outside of China contributed to volatility in Hong Kong's financial markets, with the local stock market rising before falling.

Under these relatively complex external conditions, China Everbright ("the Group") showed healthy growth during the reporting period. As at 30 June 2015, the Group recorded total fundraising of more than HK\$51.7 billion. During the period, stable income from the cross-border asset management business continued to increase. The Group recorded considerable capital gains after exiting from selected investment projects in favourable market conditions, and its associates contributed considerable profit growth compared to the same period last year. These factors led to substantial growth in the Group's profit attributable to equity shareholders.

In addition, shareholder equity continued to grow rapidly under fluctuating market conditions, demonstrating the Group's increasingly stable and mature cross-border asset management operations.

# BUSINESS REVIEW AND PROSPECTS

## Operating Results

For the first half of 2015, the Group posted an operating income of HK\$1.17 billion, which was 51% higher compared to the same period last year. Profit attributable to equity shareholders was HK\$3.23 billion, an increase of 180% compared to the same period last year. After-tax profit from the Hong Kong business grew 110% to HK\$776 million compared to the same period last year. The Group's share of profits from Everbright Securities amounted to HK\$2.033 billion, an increase of 1147% compared to the same period last year. China Everbright Bank contributed a dividend income after tax of HK\$329 million, up 4%. Earnings per share was HK\$1.914, up 181%.

Profit attributable to the Company's equity shareholders by major business segment	First half of 2015 (HK\$'m)	First half of 2014 (HK\$'m)	Change
Hong Kong business	776	369	110%
Share of profits from Everbright Securities	2,033	163	1147%
Dividend income from China Everbright Bank	329	317	4%

During the reporting period, the Group conducted a thorough review and optimisation of its business development strategy and current business structure, dividing its Hong Kong businesses into fund management business and principal investment. The Group also enhanced its management structure across the board to lay down a clearer framework that will further promote business growth. It also conducted a valuation of its unlisted investees based on a variety of financial models and against a selection of comparable companies around the world.

Under the Group's long-established concept of a principal investment driven fund management, the fund management business has been making an increasingly solid contribution to the Group's recurring income whereas the principal investment business remains a key driver of the Group's growth across various business lines. In the first half of 2015 the fund management business posted a pre-tax profit of HK\$1.03 billion, up 79% compared to the same period last year. The principal investment business generated pre-tax profit of HK\$577 million, up 377% compared to the same period last year. Total equity attributable to the equity shareholders of the Group amounted to HK\$40.4 billion, representing an increase of 15% compared to the end of 2014.

# BUSINESS REVIEW AND PROSPECTS

## Operating Results (continued)

Pre-tax profit of Hong Kong Business	First half of 2015 (HK\$'m)	First half of 2014 (HK\$'m)	Change
Fund management business	1,030	576	79%
Principal investments	577	121	377%

Distribution of equity attributable to the Company's equity shareholders	30 June 2015 (HK\$'m)	31 December 2014 (HK\$'m)	Change
Hong Kong business	17,378	14,148	23%
Everbright Securities	12,443	10,876	14%
China Everbright Bank	10,539	9,950	6%

During the reporting period, the Group's total expenditure amounted to HK\$629 million, which was 16% higher compared to the same period last year. Total cost-to-income ratio was 27%, representing a decrease of 4 percentage points. The Group supported its business by increasing bank borrowing at a measured pace. Interest-bearing debt ratio increased to 25.2% compared to 23.9% at 31 December 2014.

## 1. Fund Management Business

The Group's fund management business includes Primary market funds, Secondary market funds, Mezzanine funds and Everbright Prestige Capital Asset Management Company (Everbright Prestige), providing investors from Asia-Pacific, Europe and the US with an increasingly diversified range of services. As at 30 June 2015, the Group's fund management business managed 30 funds (excluding non-actively managed funds raised through different channels for other external institutions). It had a total of 71 post-investment projects, 16 of which were listed on different stock markets around the world. During the reporting period, the Group's total fundraising scale rose to HK\$51.7 billion – an increase of 2.8% from 31 December 2014 – with external funds accounting for approximately 80%.

# BUSINESS REVIEW AND PROSPECTS

## 1. Fund Management Business (continued)

In recent years, the Group's fund management business has expanded overseas from mainland China; in terms of asset chain, it has grown from traditional equity investment to include sector funds such as professional healthcare and real estate – industries which require thorough understanding – thereby providing more matured fund management products. In the list compiled by China's Zero2IPO Research in June 2015, the Group ranked fifth among Chinese institutional limited partners in 2014, after major state-owned financial institutions such as the National Council for Social Security Fund and PICC Property and Casualty Company Limited.

List of funds under the Group's fund management business:

Fund	Year of investment	Investment focus	Total committed capital
<b>Primary market funds</b>			
China Special Opportunities Fund I (SOF I)	2004	Manufacturing & servicing	USD50 M
China Special Opportunities Fund II (CSOF II)	2007	Telecom, media, hi-tech & consumer	USD100 M
China Special Opportunities Fund III (CSOF III)	2010	Agriculture, consumer goods & financial auxiliary	USD399 M
Beijing Zhongguancun Investment Fund	2007	High-growth manufacturing, hi-tech & servicing	RMB200 M
Everbright Jiangyin Asset Investment Fund	2009	High-growth industries	RMB260 M
Everbright Guolian Fund	2009	High-growth industries	RMB320 M
Everbright Ashmore Real Estate Fund	2009	China real estate	USD140 M +RMB18.5 B
Everbright Hero Fund	2014	Ying Li International Real Estate	USD120 M
Everbright Jiangsu New Energy (Low Carbon) Fund	2010	New materials, environmental & energy saving	RMB100 M
Everbright Medical and Healthcare Fund I	2012	Healthcare industry	RMB600 M
Everbright Medical and Healthcare Fund II	2015	Healthcare industry	RMB1 B
Everbright Qingdao New Energy (Low Carbon) Fund	2013	New materials, environmental & energy saving	RMB650 M
Shandong Hi-Speed Everbright Industrial Fund	2014	Municipal engineering, environmental protection	RMB1.8 B
CEL Catalyst China Israel Fund	2014	Israeli or Israeli-related companies	USD100 M

# BUSINESS REVIEW AND PROSPECTS

## 1. Fund Management Business (continued)

Fund	Year of investment	Investment focus	Total committed capital
<b>Secondary market funds</b>			
Absolute Return Funds (4 sub-funds)	2012	Global hedge opportunities	USD100 M
QDII Greater China Bond Fund (2 sub-funds)	2012	Offshore Chinese enterprises' bonds/fixed income products	RMB1 B
Everbright Dynamic Bond Fund	2012	Offshore Chinese enterprises' bonds/fixed income products	USD30 M
Everbright China Dynamic QFII	2014	Onshore Equities	USD80 M
Everbright RQFII	2014	Onshore Equities	RMB1.66 B
China Focus Fund	2014	Onshore Equities	USD20 M
Gopher Portfolio	2014	Offshore Chinese enterprises' bonds/fixed income products	USD11 M
China Focus Fixed Income Fund	2014	Offshore Chinese enterprises' bonds/fixed income products	RMB196 M
Everbright Dynamic Alpha Fund	2015	Quantitative Investment	USD20 M
China New OTCBB Fund	2015	China New OTCBB	RMB200 M
Everbright QFII Managed Account	2015	Onshore Equities	USD35 M
<b>Mezzanine funds</b>			
Onshore Mezzanine Fund	2012	Onshore mezzanine financing	RMB800 M
<b>Everbright Prestige</b>			
Everbright Prestige	2014	Asset management for onshore clients	RMB6.6 B
<b>Total</b>			<b>HK\$51.7 B</b>

# BUSINESS REVIEW AND PROSPECTS

## 1. Fund Management Business (continued)

During the reporting period, income from the fund management business was HK\$1.13 billion, representing an increase of 30%. Fund management and performance fees accounted for HK\$92 million of the total income, representing an increase of 210% compared with the same period last year. Investment projects that were exited during the first half of 2015 recorded a capital gain of HK\$1.03 billion, increased by HK\$1.02 billion compared to the same period last year.

Fund management business realised pre-tax profit of HK\$1.03 billion, representing an increase of 79%. Among which, the Group's most established segment under fund management business – Primary Market Funds made a pre-tax profit of HK\$820 million, up 39%. Secondary market made a pre-tax profit of HK\$181 million, a significant achievement compared with last reporting period. Both Mezzanine funds and Everbright Prestige achieved stable growth.

Pre-tax profit/(loss) from fund management business (by business segment)	First half of 2015 (HK\$'m)	First half of 2014 (HK\$'m)	Change
Primary Market Funds	820	591	39%
Secondary Market Funds	181	(29)	N/A
Mezzanine Funds	17	14	21%
Everbright Prestige	12	0.12	9900%

### 1. Primary Market Funds

Primary Market Funds, which mainly comprise Private Equity Funds, Venture Capital Funds, Sector Focus Funds and the Overseas Mergers & Acquisitions (M&A) Funds set up in 2014, remains the Group's most established business segment. It invests in industries such as precision instruments, infrastructure, medical and healthcare, and real estate.

During the reporting period, Primary Market Funds raised a total of HK\$36.4 billion and managed 69 post-investment projects (adding 7 investment projects and exiting 10 investment projects). Pre-tax profit was HK\$820 million, representing an increase of 39% over the same period last year.

# BUSINESS REVIEW AND PROSPECTS

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

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

#### (1) *Private Equity Funds*

As at the end of the first half of 2015, the Group's three China Special Opportunities funds had moved into the exit stage and managed 22 investment projects. During the reporting period the Group achieved relatively good investment return by capitalising on opportunities arising from the Chinese capital market boom, disposing of all its shares of Beingmate and a portion of its shares of Anhui Yingliu Electromechanical. Currently the Special Opportunities Fund series is holding on to a large number of shares and convertible bonds of listed companies that are already beyond their lock-up periods. The team will choose an opportune time to dispose of these securities and realise greater capital gains. Meanwhile, yet-to-be-listed companies continue to see improved performance, with investees such as China UMS maintaining steady growth.

#### (2) *Venture Capital Funds*

The three Venture Capital Funds managed by the Group's fund management team – Everbright Guolian Fund, Everbright Jiangyin Asset Investment Fund and Beijing Zhongguancun Investment Fund – have completed their investment periods. As at 30 June 2015, Venture Capital Funds had 15 post-investment projects. Among these, Hanbang Gaoke was listed on the Shenzhen Stock Exchange's Growth Enterprise Market in April 2015, and as at 30 June 2015 its share price had risen 461% over its issue price to reach RMB99.69. CECEP Wind-power, which was listed on the Shanghai Stock Exchange in September 2014, also performed well with a share price that reached RMB29.2, up 1246% from its issue price. Beijing LvSan Chemistry, Jiangsu Yida Chemical, Beijing Leili and Anyang Xinsheng Machine Tool, which were listed for public trading on the New OTCBB Market in 2014, also performed well. During the reporting period, the investment team sold all shares of Beijing LvSan Chemistry in a major transaction, realising good return on investment. CAXA Technology Co Ltd was also officially listed on the New OTCBB Market in June 2015.

#### (3) *Sector Focus Funds*

The Group's Sector Focus Funds concentrate on pillar industries in Mainland China that can offer stable returns, as well as emerging industries with sizeable growth potential. The funds cover four specific sectors – real estate, infrastructure, medical and healthcare, and new energy and new materials – and have further ventured into overseas markets. Backed by highly professional teams with thorough understanding of these markets, Sector Focus Funds have uncovered investment opportunities in every sector and achieved gains arising from the long-term growth and structural demands of various industries.

# BUSINESS REVIEW AND PROSPECTS

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

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

#### *(3) Sector Focus Funds (continued)*

##### *Real Estate Funds*

Everbright Ashmore Real Estate Investments is divided into two investment streams, USD-denominated and RMB-denominated funds. Its investment portfolio includes a diverse mix of residential, office and commercial properties. During the reporting period, the USD-denominated fund – which invests in Chinese real estate projects with high growth potential using an equity investment approach – entered its divestment period. It successfully exited from two Shenyang Rongsheng projects in early 2015, bringing the number of exits to four out of a total of six investment projects. All investment capital had been recovered with remaining projects continue to profit. Currently the USD-denominated fund still has two projects in Shanghai and Xuzhou, both of which are expected to turn a profit for the investors and are now making good progress. The RMB-dominated fund, which focuses on debt investments, added one new project and exited five projects, with 13 inventory projects. Currently it manages a total AUM of RMB18.9 billion, of which 90% was raised externally.

The Group's EBA Investments ranked first in the '2015 Top 10 Funds in Terms of Comprehensive Strength Among the 2015 China Real Estate Funds', which were jointly announced by the Development Research Centre of the State Council, Tsinghua University's Institute of Real Estate Studies and the China Index Academy on 27 March 2015. After many years of hard work, EBA Investments – the Group's largest Sector Focus Fund – has become the leader in China real estate private equity.



# BUSINESS REVIEW AND PROSPECTS

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

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

#### (3) Sector Focus Funds *(continued)*

##### *Medical and Healthcare Fund*

Everbright Medical and Healthcare Fund I has raised funds totalling RMB600 million, essentially completing its investment phase. It is now in the project management and exit stage. BGI, one of the fund's investments, is undergoing restructuring to become a more established entity for listing as BGI Diagnosis on the Mainland's A-share market. Sales at Betta Pharmaceuticals and Kunming Jida Pharmaceuticals were positive, and AMCARE Women's and Children's Hospital opened a new flagship medical centre in Hangzhou.

With Everbright Medical and Healthcare Fund I achieving positive investment return, the investment team established a brand reputation for quality and built up a large number of projects. 16 January 2015 marked the first closing of Everbright Medical and Healthcare Fund II, which has a target size of RMB1–1.2 billion, after having successfully raised RMB1 billion.

On 26 March 2015, Everbright Medical and Healthcare Fund II partnered with Everbright Prestige and Everbright PIPE Fund to participate in the additional issue of new shares by China Traditional Chinese Medicine (HK0570, CTCM). CTCM is finalising the acquisition of Tianjiang Pharmaceutical to pave the way for developing into a leading traditional Chinese medicine company with an integrated range of traditional Chinese medicine products, including proprietary Chinese medicine, herbal extracts and granules. In May 2015 Everbright Medical and Healthcare Fund, in collaboration with Fosun Pharma, HOPU Investments and WuXi PharmaTech, announced its acquisition of all the shares of protein therapeutics R&D company Ambrx Inc. This collaboration combines the Group's industry-leading financial services, China's top pharmaceutical enterprises and American biotechnology innovators to create exciting synergies.

# BUSINESS REVIEW AND PROSPECTS

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

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

#### *(3) Sector Focus Funds (continued)*

##### *Infrastructure Fund*

The Group partnered with Shandong Hi-Speed Group to establish the Shandong Hi-Speed Everbright Industrial Fund, which has a target size of RMB5 billion. Through this fund, Everbright focuses on the changes and developments brought about by the new type of urbanisation currently underway on the Mainland, concentrating on meeting growing demand in areas such as municipal services, environmental protection and clean energy as well as investment opportunities for industry upgrades. It also aims to promote the combination of industry capital and financial capital as much as possible.

During the reporting period, the Shandong Hi-Speed Everbright Industrial Fund launched an investment drive by fully leveraging the RMB1.8 billion it had raised in its first round of financing. During the reporting period, it completed investments in three new projects, with focuses on areas such as sewage treatment and natural gas and managed 5 post-investment projects. In addition, China Everbright, capitalising on its asset management expertise, was involved in the financing of Shandong High-Speed Group's major projects to help it revitalise its inventory assets through asset securitisation.

##### *New Energy Funds*

The Group manages two New Energy RMB funds, Everbright Jiangsu New Energy (Low Carbon) Fund and Everbright Qingdao New Energy (Low Carbon) Fund. These funds focus on areas such as energy conservation and environmental protection, new materials, clean energy, high-end clean manufacturing and green consumption. The team has managed 4 post-investment projects.

In January 2015, one of the post investment projects, Jiangsu Turbine Seal High-Technology Co., Ltd was listed for public trading on the New OTCBB market, becoming the first company under the Fund to be listed there.

# BUSINESS REVIEW AND PROSPECTS

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

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

#### (3) *Sector Focus Funds (continued)*

##### *Mergers and Acquisitions Fund*

As at June 2015, the Group's first overseas M&A fund, the CEL Catalyst China Israel Fund, had completed one investment. Israel is regarded for having a strong culture of innovation and an excellent environment for investment. To capitalise on this, the CEL Catalyst China Israel Fund targets companies with proven business models and unique, innovative technologies, as well as growth strategies or business activities oriented towards developing the Greater China market.

The Group begun preparing for a larger-scale global M&A USD fund, targeting enterprises with unique assets or a technological edge in the world, outside investment sectors already covered by the CEL Catalyst China Israel Fund.

### 2. Secondary Market Funds

Everbright's Secondary Market Funds business consists of two main segments, Traditional Asset Management and Absolute Return Funds. With the growing number of high net worth individuals (HNWI) in China, deploying assets overseas has become a trend. The Group's Secondary Market Funds Business aims to capitalise on this trend and satisfy the expanding overseas investment needs of HNWI by leveraging its excellent capabilities in product deployment to focus on investing Mainland capital in the Hong Kong and overseas markets.

During the reporting period, Everbright's Secondary Market Funds business managed a total of 15 funds, and its AUM amounted to HK\$9 billion, up 43% from 31 December 2014. It posted a before-tax profit of HK\$181 million. Income from asset management fees and consulting fees totalled HK\$20 million. The Secondary Market asset management team manages HK\$4.35 billion of assets raised by Everbright Prestige as a sub-advisor.

# BUSINESS REVIEW AND PROSPECTS

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

### 2. Secondary Market Funds *(continued)*

In the Traditional Asset Management business, fixed income products performed well during the period. From its inception in February 2013 till the end of June 2015, the type A product of Everbright Dynamic Bond Fund posted a 20.1% net return after expenses. As a capital-protected structured investment, it generated a far higher level of return compared with overseas risk-free interest rate products. The type B product posted a 47.8% net return after expenses (for an annualised rate of return of 17.5%).

Equity-based products also posted an impressive performance. In the first half of 2015, the China Focus Fund – an absolute return fund benchmarked against the People’s Bank of China’s one-year benchmark lending rate (currently at 4.85%) – achieved a gross absolute return of 40.4%. This was significantly higher than the 26.6% gain posted by the Shanghai Shenzhen CSI 300 Index for A shares over the same period. The Fund also demonstrated its ability to mitigate the impact of market volatility on investment returns when amid emerging signs of market volatility in June, the investment team exercised effective risk control by maintaining sound business operations in a timely, prudent manner.

The Absolute Return investment team currently has four absolute return funds in operation: Everbright Global Event Arbitrage Fund, Everbright Convertible Opportunities Fund, Everbright Dynamic Opportunities Fund and Everbright Dynamic Alpha Fund. Everbright Dynamic Opportunities Fund, managed with a Greater China equity long/ short strategy, performed well enough to be nominated by EurekaHedge in April 2015 as “Best New Asian Hedge Fund”. By adopting a quantitative market-neutral strategy, Everbright Dynamic Alpha Fund recorded a three-year cumulative gross return of 51.1% with low volatility.

The newly established PIPE business availed itself of private equity deal-making opportunities in the open market, having completed strategic investments in listed companies in the Mainland and Hong Kong during the reporting period. These included Shanghai Oriental Pearl Media and China Traditional Chinese Medicine, as well as the establishment and external financing of Everbright’s first fund listed on the New OTCBB market.

# BUSINESS REVIEW AND PROSPECTS

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

### 2. Secondary Market Funds *(continued)*

Based on the growing maturity of the investment team, Everbright has enhanced the Secondary Market business's infrastructure facilities with an IT system that includes ordering as part of the central trading platform, as well as portfolio management middle and back offices. These upgrades enable unified, automatic electronic trading and pre-trade compliance checks, helping lay a solid foundation for future business growth.

### 3. Mezzanine Funds

The Group's Mezzanine Funds focus mainly on special growth opportunities onshore. They are dedicated to providing comprehensive financing solutions for high-performing Mainland enterprises while generating good returns for the Group. The Group's RMB800 million Mezzanine funds take into account business cycles, investment environments and specific corporate situations, bringing together investment structures and opportunities based on pure equity, pure debt or hybrid equity/ debt strategies and making related decisions with flexibility.

As at the end of June 2015, Mezzanine Funds realised a pre-tax profit of HK\$16.85 million, representing an increase of 17% compared to the same period last year. Income from loan interest, management fees and bond interest generated by managed projects totalled HK\$22.93 million, up 12%.

On 16 June 2015, the Group's RMB Mezzanine Fund invested in AVIC Precision Casting Science and Technology Co Ltd. With the PRC government actively promoting mixed ownership of state-owned enterprises, the Group saw the consolidation of AVIC Engine Holdings and the introduction of external investors as an excellent opportunity to capitalise on the reorganisation of a key enterprise.

The Group's RMB Mezzanine Fund I has essentially completed its investment phase. To meet the increasing demand for cross-border structured investment and financing, the team has initiated preparation work for RMB Mezzanine Fund II and USD Mezzanine Fund.

# BUSINESS REVIEW AND PROSPECTS

## 1. Fund Management Business (continued)

### 4. Everbright Prestige

Following an additional capital injection by China Everbright in March 2014, Everbright Prestige has witnessed the evolution of a highly synergistic business model driven by its two major shareholders, the China Post Fund and China Everbright. As Everbright Prestige's largest shareholder, the China Post Fund provides support in macro and industry research strategies and enriches the variety of Everbright Prestige's secondary market product lines. Meanwhile, the breadth and depth of experience China Everbright has gained over the years in private equity investment provides Everbright Prestige with significant management expertise and enhances its platform value.

On 27 July 2015, the Asset Management Association of China announced its rankings of asset management companies based on their value of accounts under management as at the end of June 2015. The value of accounts under management at Everbright Prestige totalled RMB44.9 billion, and placing it 38th among companies in the same category. Unlike many of its peers, Everbright Prestige has its own team actively managing the majority of its projects, with the exception of just a few individual projects. Everbright Prestige raised RMB6.6 billion for the Group's actively managed products. During the reporting period, the Group's share of Everbright Prestige's profit was HK\$13.22 million based on the method of equity accounting.

In the first half of 2015, Everbright Prestige was granted provisional qualification as a Qualified Domestic Investment Enterprise (QDIE) by the Shenzhen municipal government, an achievement that expands the business scope of its cross-border investments. The QDIE qualification also creates more optimal conditions for the Group to capitalise on the opportunities arising from cross-border capital flow in the Chinese market. Everbright Prestige is gradually becoming the Group's hub for domestic fundraising and overseas asset management.

# BUSINESS REVIEW AND PROSPECTS

## 2. PRINCIPAL INVESTMENTS

During the reporting period, the Group's principal investment business managed HK\$12.8 billion. It achieved a pre-tax profit of HK\$577 million, up 377% from the same period last year. Interest income amounted to HK\$254 million, up 67.8% compared to the same period last year. Dividend income amounted to HK\$77 million, HK\$76 million increase over the same period last year. Capital gain realised was HK\$205 million, up 93.8% compared to the same period last year.

The Group has long focused on cross-border fund management. In addition to devoting efforts to external fundraising, the Group also optimised the use of its own capital through various investment methods, using equity, bonds and derivatives, in support of its fund investment and management business. The Group's principal investment is committed to the following philosophy:

- (1) The Group's own capital is used to support investment teams at the growth stage and to incubate quality private equity products, followed by external fundraising after the investment teams had fully developed.
- (2) The Group strives to create positive synergies between its fund management and capital operations, directly investing or co-investing in projects with a competitive edge in their industry. Leveraging its abundant resources in quality projects across a wide range of sectors, the Group has completed a series of investments using own capital, including a co-investment in Jiangsu Yuyue Medical Equipment & Supply Co., Ltd with Sequoia Capital and Highlight Capital (managed by the Medical and Healthcare Fund management team), an investment in the Singapore-listed Chinese real estate developer Ying Li International Real Estate Limited (managed by the Real Estate Fund management team), and the acquisition of the majority shares of a US automotive testing systems company Burke E. Porter Machinery Company (managed by the M&A Fund management team), and the investment in Focus Media Holding Limited (managed by the Mezzanine Funds management team).

# BUSINESS REVIEW AND PROSPECTS

## 2. PRINCIPAL INVESTMENTS (continued)

- (3) Through reasonable equity investments, the Group aims to participate in and nurture financial institutions that have the potential for long-term development, and which provide the Group with good return on investment as well as business synergy. The Group seeks to consolidate and improve its operational capabilities so as to raise its overall income level.

China Aircraft Leasing Group Holdings Limited (CALGH), an investment of the Group's own capital with a 35.6% stake, delivered six airplanes in the first half of 2015, bringing its fleet size to 50 airplanes. It also successfully expanded into the international market by entering into agreements with new clients such as Air Macau and Pegasus Airlines, following an agreement with Air India. In June 2015, CALGH became one of the first nine pilot companies in the Tianjin Free Trade Zone's cross-border foreign exchange fund pool after listing in the zone. It also became the first company in China's leasing industry approved by the State Administration of Foreign Exchange to take part in the trial capital account liberalisation. At the same time, CALGH concluded a memorandum on strengthening cooperation with the Administration Committee of Tianjin Dongjiang Free Trade Port Zone, which is expected to lead to the delivery of 40 airplanes over the next four years. During the reporting period, based on the method of equity accounting, Everbright's share of CALGH's after-tax profit amounted to HK\$40 million, representing an increase of 8.1% compared to the same period last year.

- (4) The Group aims to enhance its capital efficiency and improve cash flow through a treasury or wealth management model.

## 3. Everbright Securities

The first half of 2015 saw active trading in the Chinese capital market. Everbright Securities – in which the Group has a 33.33% stake – was able to seize this opportunity to accelerate its strategic planning and business innovation, helping drive rapid growth across various business lines. The securities brokerage, proprietary securities, investment banking, direct investments and overseas businesses have performed well, posting significant increases in operating results in the first half of the year. Based on equity accounting, the Group's share of Everbright Securities' profit was HK\$2.033 billion, more than 12 times higher than the same period last year.



# BUSINESS REVIEW AND PROSPECTS

## 3. Everbright Securities *(continued)*

Everbright Securities' was upgraded from C to A according to the *2015 Results of Classification of Securities* issued on 17 July 2015 by the China Securities Regulatory Commission. Which reflects considerable improvements in Everbright Securities' compliance management and risk control.

EBS International, 51% and 49% owned by Everbright Securities and the Group respectively, also performed well in the first half of 2015. Based on equity accounting, the Group's share of EBS International's profit was HK\$35.32 million.

## 4. China Everbright Bank

Based on the Group's 3.37% stake in China Everbright Bank, the Group earned an after-tax dividend income of HK\$329 million during the reporting period, up 4% from the same period in 2014.

## Prospects

The global economy is expected to face continued imbalance in the second half of 2015. Economic data for employment, manufacturing, retail and housing in the US indicate sustainable growth in these areas. The US Federal Reserve has expressed intentions to consider whether the current easing policy is still needed from the perspective of the real economy and is likely to increase interest rates this year. Meanwhile, the spectre of deflation should dissipate from the Eurozone as economic recovery becomes more broadly based, although quantitative easing policies will continue in the short term. Japan is speeding up investment in Asian infrastructure and engaging in fierce competition with China for high-speed rail projects in Southeast Asia. The 'One Belt, One Road' strategy and Asian Infrastructure Investment Bank are facing competition.

As for the Chinese economy, investment stability is a critical factor in determining whether economic growth can experience a meaningful rebound in the second half. This depends to a large extent on factors such as the level of easing in subsequent fiscal policy, the sustainability of the property market's recovery, domestic demand and private sector investment. Based on the current situation, the liquidity generated by monetary easing policy has stayed in the financial market, with limited effect in terms of driving the real economy.

# BUSINESS REVIEW AND PROSPECTS

## Prospects *(continued)*

Operating within such a complex macro environment, the Group will continue to develop its cross-border asset management operations through the following strategies:

- (1) Primary Market Funds, Secondary Market Funds and Mezzanine Funds will continue to raise capital for new funds and attract more investors from new sectors;
- (2) Some listed shares with fair valuation will be disposed of when the right opportunities arise, in order to realise good, sustainable investment returns;
- (3) Secondary Market Funds will promote a greater variety of investment portfolios;
- (4) The development of an integrated management platform for fundraising and customer relations will be accelerated and optimized, and
- (5) The Group will persistently monitor its currency exposure and should the need arise, consider hedging.

With the successful transformation of China Everbright Limited's asset management business and its increasingly maturing operations, the Group is expected to continue posting excellent returns. We are very confident in our growth prospects for the remainder of 2015.

## CONTINGENT LIABILITIES

As at 30 June 2015, 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 2015 under the guarantees issued is the facilities granted to the subsidiaries of HK\$1.25 billion.

# DISCLOSURE OF INTERESTS

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

As at 30 June 2015, 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
Chen Shuang	370,000	370,000	–	–	0.008%

### 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, namely China Aircraft Leasing Group Holdings Limited ("CALC"):

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

Note: These interests represented the interests in underlying shares in respect of the share options granted by CALC to each non-executive director and independent non-executive director of CALC pursuant to its Post-IPO Share Option Scheme.

# DISCLOSURE OF INTERESTS

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

Save as disclosed herein, as at 30 June 2015, none of the directors and chief executives of the Company had interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporation defined under the SFO as recorded in the register of directors' and chief executives' interests and short positions.

## Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the 6 months ended 30 June 2015 was the Company or any of its subsidiaries, holding companies or fellow subsidiaries, a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Substantial Shareholders

According to the register kept under section 336 of the SFO, the Company has been notified of the following interests in the Company's issued shares at 30 June 2015 amounting to 5% or more of the ordinary shares in issue:

### Long Position

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

# DISCLOSURE OF INTERESTS

## Substantial Shareholders (continued)

### Long Position (continued)

Notes :

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

Save as disclosed above, as at 30 June 2015, the Company had not been notified of any other interest by prescribed notice which were required to be recorded in the register kept under section 336 of the SFO.

## Employees

As at 30 June 2015, the Group had 235 employees. Total staff costs for the period under review amounted to approximately HK\$235 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 (“CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the six months ended 30 June 2015 except that Mr. Tang Shuangning, the Chairman of the Company, due to other business engagements, was unable to attend the annual general meeting of the Company held on 27 May 2015. 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 2015.

## 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 2015.

## Remuneration Committee

During the period, the Remuneration Committee had four members comprising Dr. Liu Jun, 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 Dr. Liu Jun, 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 a term loan facility of up to US\$100 million (or its equivalent in Hong Kong dollars) for a term up to 27 December 2015. 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 12 September 2014, the Company entered into a facility agreement pursuant to which a syndicate of banks agreed to grant a four-year transferable term loan facility in an aggregate principal amount of US\$150 million. Under the said facility agreement, it will be an event of default if CEHCL (i) does not or ceases to beneficially own, directly or indirectly, at least 45% of the total issued share capital of the Company or (ii) is not or ceases to be the largest controlling shareholder of the Company. If an event of default under the said facility agreement occurs, the agent acting for the lending banks may, and shall if so directed by two-thirds of the lending banks, by written notice to the Company terminate the facilities and/or declare that all or part of the loans made under the facilities together with accrued interest and all other amounts accrued or outstanding under the said facility agreement be immediately due and payable.

## OTHER INFORMATION

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

On 30 September 2014, the Company entered into a facility agreement pursuant to which an independent third party bank agreed to grant a term loan of up to 150 million Singapore dollars for a term not exceeding 3 years. Under the said facility agreement, it will be an event of default if (i) CEHCL ceases to beneficially own, directly or indirectly, not less than 45% of the total issued share capital of the Company; or (ii) CEHCL ceases to be beneficially wholly-owned, directly or indirectly, by a state body of the People's Republic of China. If an event of default under the said facility agreement occurs, the bank may by notice to the Company terminate the facilities and/or declare that all or part of the loans made under the facilities together with accrued interest and all other amounts accrued or outstanding under the said facility agreement be immediately due and payable.

On 15 December 2014, the Company entered into a supplemental facility letter with an independent third party bank pursuant to which the bank agreed to grant a renewed committed revolving loan and/or standby letters of credit of up to US\$50 million (or its equivalent in Hong Kong dollars) to the Company for a term up to 31 December 2015. Under the said supplemental facility letter, it will be an event of default if CEHCL ceases to be the single largest shareholder of the Company or ceases to maintain management control of the Company. Upon the occurrence of any of the above events, the facilities under the said supplemental facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 15 December 2014, the Company entered into another facility letter pursuant to which an independent third party bank agreed to grant a committed revolving loan of up to US\$220 million (or its equivalent in Hong Kong dollars or Renminbi) to the Company with maturity date falling 12 months from the date of first drawdown. Under the said facility letter, it will be an event of default if CEHCL ceases to be the single largest shareholder of the Company or ceases to maintain management control of the Company. Upon the occurrence of any of the above events, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.



# OTHER INFORMATION

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

On 30 March 2015, the Company entered into two facility letters pursuant to which an independent third party bank agreed to grant (i) a committed term loan of up to US\$120 million (or its equivalent in Hong Kong dollars) with maturity date falling 1 year from the signing date of the said facility letter and (ii) an uncommitted revolving loan of up to US\$150 million (or its equivalent in Hong Kong dollars) with maturity date falling 1 year from the signing date of the said facility letter. Under the two facility letters, it will be an event of default if CEHCL ceases to be the single largest shareholder of the Company or ceases to maintain management control of the Company. Upon the occurrence of any of the above events, the facilities under each of the facility letters together with all accrued interest and any other amounts accrued under the respective facilities may become immediately due and payable.

On 12 June 2015, the Company entered into a facility letter pursuant to which an independent third party bank agreed to grant a revolving and term loan of up to HK\$1 billion (or its equivalent in the United States dollars or Renminbi) for a period of 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 be the single largest shareholder of the Company. Upon the occurrence of the above event, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 12 June 2015, the Company entered into another facility letter pursuant to which an independent third party bank agreed to grant a term loan of up to HK\$400 million 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 (i) ceases to beneficially own, directly or indirectly, at least 45% of the total issued share capital of the Company or (ii) ceases to be the single largest shareholder or maintain management control of the Company or (iii) ceases to be beneficially wholly-owned, directly or indirectly, by a state body of the People's Republic of China. Upon the occurrence of any of the above events, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

As at 30 June 2015, 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 2014 annual report are as follows:

Mr. Chen Shuang, the executive director and Chief Executive Officer of the Company, was appointed as Chief Executive Officer and re-designated as an executive director of China Aircraft Leasing Group Holdings Limited (a company listed on the Stock Exchange, Stock Code: HK 1848) with effect from 18 June 2015. Mr. Chen resigned as independent director of Noah Holdings Limited (a company listed on NYSE, Stock Code: NOAH.N) with effect from 1 May 2015.

Dr. Liu Jun, the deputy chairman of the Company, was appointed as the chairman and director of China Everbright Industry Group Limited on 14 April 2015. Dr. Liu resigned as the chairman and director of Sun Life Everbright Life Insurance Company Limited with effect from 7 July 2015.

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

## Interim Dividend

The Board declared the payment of an interim dividend of HK\$0.25 per share for the six months ended 30 June 2015 (2014: HK\$0.15 per share) to those shareholders whose names appear on the register of members of the Company on 29 September 2015. Dividend cheques will be dispatched to shareholders of the Company on or about 16 October 2015.

## Closure of Register of Members

The register of members of the Company will be closed from 29 September 2015 to 2 October 2015 (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 25 September 2015.

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

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

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

Hong Kong, 27 August 2015