光大控股
EVERBRIGHT

NEW NORMAL
NEW EQUILIBRIUM
新常態 新平衡

interim report 2016

stock code: 165

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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) (Note 1)

Wang Weimin
* Seto Gin Chung, John
* Lin Zhijun
* Chung Shui Ming, Timpson

Non-executive Director
* Independent Non-executive Directors
Note 1: Resign with effect from 1 September 2016

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
Shanghai Pudong Development Bank
Co., Ltd. (Hong Kong Branch)
China Construction Bank Corporation
Bank of Communications Company,
Limited
Standard Chartered Bank (Hong Kong)
Limited

Legal Advisors
Grandall Legal Group (Shanghai) Office

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

Auditors
Ernst & Young

Website Address
http://www.everbright165.com

Investor Relations Contact
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Stock Code
165

INTERIM RESULTS

The Board of Directors of China Everbright Limited (the "Company") presents the unaudited results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2016. The interim financial report is unaudited, but has been reviewed by Ernst & Young (the auditor of the Company) in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, whose review report is included on page 61. The interim financial report has also been reviewed by the Company's Audit and Risk Management Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Notes	**1 January to 30 June 2016 HK$'000**	1 January to 30 June 2015 HK$'000
Continuing operations			
Turnover	3	**3,841,938**	5,627,370
Operating income	3	**1,015,646**	1,170,801
Other net income	3	**1,146,082**	1,197,465
Staff costs		**(200,264)**	(234,831)
Depreciation expenses		**(12,057)**	(11,180)
Impairment loss on available-for-sale securities		**(407,802)**	(7,764)
Impairment loss on amount due from an investee company		**(3,811)**	(18,356)
Other operating expenses		**(102,134)**	(207,351)
Profit from operations		**1,435,660**	1,888,784
Finance costs		**(238,622)**	(175,299)
Share of profits less losses of associates, as per the associates' financial statements	9	**565,329**	2,138,492
Share of profits less losses of joint ventures, as per the joint ventures' financial statements	10	**6,973**	23,512
Loss on deemed disposal of interest in an associate	9	**(17,697)**	(20,274)
Adjustments to share of profits less losses to conform with the Group's accounting policies	1	**–**	8,000
Profit before taxation		**1,751,643**	3,863,215
Income tax	4	**(203,071)**	(325,294)
Profit from continuing operations		**1,548,572**	3,537,921
Discontinued operations			
Profit from disposal group held for sale	5	**94,570**	23,901
Profit for the period		**1,643,142**	3,561,822

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Notes	**1 January to 30 June 2016 HK$'000**	1 January to 30 June 2015 HK$'000
Profit attributable to equity shareholders of the Company			
Continuing operations		**1,335,501**	3,201,736
Discontinued operations		**75,891**	23,901
		1,411,392	3,225,637
Non-controlling interests		**231,750**	336,185
Profit for the period		**1,643,142**	3,561,822
Basic and diluted earnings per share	8		
Continuing operations		**HK$0.792**	HK$1.900
Discontinued operations		**HK$0.045**	HK$0.014
		HK$0.837	HK$1.914

The notes on pages 3 to 60 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company attributable to the period are set out in note 6.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Notes	**1 January to 30 June 2016 HK$'000**	1 January to 30 June 2015 HK$'000
Profit for the period		**1,643,142**	3,561,822
Other comprehensive income for the period:			
Items that may be reclassified subsequently to profit or loss			
– Net movement in investment revaluation reserve of available-for-sale securities	7	**(2,678,986)**	3,549,532
– Share of other comprehensive income of associates, as per the associates' financial statements		**(320,345)**	(258,228)
– Share of other comprehensive income of joint ventures, as per the joint ventures' financial statements		**52,092**	(3,167)
– Adjustments to share of other comprehensive income of associates and joint ventures to conform with the Group's accounting policies	1	**–**	(42,300)
– Exchange reserve		**(306,747)**	56,585
		(3,253,986)	3,302,422
Total comprehensive income for the period		**(1,610,844)**	6,864,244
Attributable to:			
Equity shareholders of the Company		**(1,572,292)**	5,942,579
Non-controlling interests		**(38,552)**	921,665
Total comprehensive income for the period		**(1,610,844)**	6,864,244

The notes on pages 3 to 60 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Notes	30 June 2016 HK$'000	31 December 2015 HK$'000
Non-current assets			
Property, plant and equipment		**549,103**	558,034
Amounts due from associates	9(c)	**1,018,235**	18,448
Amounts due from investee companies	12	**233,563**	294,147
Investments in associates	9(a)	**14,450,762**	15,948,829
Investments in joint ventures	10(a)	**398,929**	625,047
Available-for-sale securities	11	**17,931,583**	21,753,331
Financial assets designated at fair value through profit or loss	12	**12,026,043**	8,881,584
Advances to customers	13	**578,411**	1,438,883
Finance lease receivable		**41,643**	62,314
		47,228,272	49,580,617
Current assets			
Financial assets designated at fair value through profit or loss	12	**1,181,873**	2,879,223
Advances to customers	13	**1,649,140**	2,651,101
Finance lease receivable		**39,301**	38,620
Amount due from an associate	9(c)	**806,726**	16
Amounts due from joint ventures	10(c)	**–**	6,839
Debtors, deposits and prepayments	14	**3,159,199**	1,451,643
Trading securities	15	**1,198,363**	1,070,292
Cash and cash equivalents		**5,295,651**	4,688,256
		13,330,253	12,785,990
Assets classified as held for sale	5	**1,494,994**	2,914,436
		14,825,247	15,700,426

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Notes	30 June 2016 HK$'000	31 December 2015 HK$'000
Current liabilities			
Amounts due to investee companies	12	**(289,149)**	(238,800)
Amount due to an associate	9(d)	**(47,186)**	–
Amount due to a joint venture		**–**	(427)
Trading securities	15	**(94,005)**	(239,144)
Bank loans	16	**(6,410,125)**	(3,170,845)
Amount due to a fellow subsidiary and a shareholder	17	**–**	(1,000,000)
Creditors, deposits received and accrued charges	18	**(1,249,049)**	(1,327,476)
Other financial liabilities	22(b)	**(2,821,378)**	(3,038,933)
Notes payable	19	**(57,000)**	(57,000)
Provision for taxation		**(417,719)**	(331,057)
		(11,385,611)	(9,403,682)
Liabilities classified as held for sale	5	**(605,115)**	(1,111,658)
		(11,990,726)	(10,515,340)
Net current assets		**2,834,521**	5,185,086
Total assets less current liabilities		**50,062,793**	54,765,703
Non-current liabilities			
Bank loans	16	**(8,920,435)**	(10,283,111)
Other financial liabilities		**(870,826)**	(513,798)
Deferred tax liabilities		**(622,504)**	(1,021,285)
		(10,413,765)	(11,818,194)
NET ASSETS		**39,649,028**	42,947,509
CAPITAL AND RESERVES			
Share capital	21	**9,618,097**	9,618,097
Reserves		**27,225,165**	29,748,068
Total equity attributable to equity shareholders of the Company		**36,843,262**	39,366,165
Non-controlling interests		**2,805,766**	3,581,344
TOTAL EQUITY		**39,649,028**	42,947,509

The notes on pages 3 to 60 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Attributable to equity shareholders of the Company									
	Note	Share capital HK$'000	Option premium reserve HK$'000	Investment revaluation reserve HK$'000	Goodwill reserve HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As as 1 January 2016		**9,618,097**	**1,242**	**11,686,839**	**(668,499)**	**(259,340)**	**821,755**	**18,166,071**	**39,366,165**	**3,581,344**	**42,947,509**
Distribution to non-controlling shareholders		–	–	–	–	–	–	–	–	(737,026)	(737,026)
Dividend paid	6(b)	–	–	–	–	–	–	(842,627)	(842,627)	–	(842,627)
Share of capital reserve of an associate		–	–	–	–	(107,984)	–	–	(107,984)	–	(107,984)
Profit for the period		–	–	–	–	–	–	1,411,392	1,411,392	231,750	1,643,142
Other comprehensive income for the period		–	–	(2,672,261)	–	–	(311,423)	–	(2,983,684)	(270,302)	(3,253,986)
As at 30 June 2016		**9,618,097**	**1,242**	**9,014,578**	**(668,499)**	**(367,324)**	**510,332**	**18,734,836**	**36,843,262**	**2,805,766**	**39,649,028**
As as 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 shareholders		–	–	–	–	–	–	–	–	298,469	298,469
Dividend 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

The notes on pages 3 to 60 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	1 January to 30 June 2016 HK$'000	1 January to 30 June 2015 HK$'000
Operating activities		
Cash used in operations	**(525,587)**	(1,291,822)
Tax paid	**(133,892)**	(109,605)
Net cash used in operating activities	**(659,479)**	(1,401,427)
Investing activities		
Purchase of available-for-sale securities	**(512,662)**	(3,016,030)
Proceeds from disposal of available-for-sale securities	**1,531,784**	2,094,112
Purchase of financial assets designated at fair value through profit or loss	**(3,941,022)**	(1,581,013)
Proceeds from disposal of financial assets designated at fair value through profit or loss	**3,640,889**	1,669,266
Decrease in other financial liabilities	**(340,993)**	(376,836)
Purchase of disposal group held for sale	**–**	(795,830)
Net cash from losing control of a subsidiary	**–**	(20,708)
Proceeds from disposal of an associate	**100,000**	–
Other cash flows arising from investing activities	**986,592**	1,433,153
Net cash generated from/(used in) investing activities	**1,464,588**	(593,886)
Financing activities		
Net proceeds from bank loans	**1,876,604**	1,659,967
Dividends paid	**(842,627)**	(556,134)
Proceeds from loan from a fellow subsidiary and a shareholder	**–**	500,000
Repayment of loan from a fellow subsidiary and a shareholder	**(1,000,000)**	–
Other cash flows arising from financing activities	**(206,467)**	339,070
Net cash (used in)/generated from financing activities	**(172,490)**	1,942,903
Net increase/(decrease) in cash and cash equivalents	**632,619**	(52,410)
Cash and cash equivalents		
Beginning of the period	**4,688,256**	3,742,555
Exchange rate adjustments	**(25,224)**	12,918
End of the period	**5,295,651**	3,703,063

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 31 August 2016.

The financial information relating to the year ended 31 December 2015 that is included in the unaudited interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

– The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

– The Company's predecessor auditors, KPMG, has reported on those financial statements. The auditors' report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 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 statement of profit or loss and consolidated statement of comprehensive income.

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

NOTES TO THE FINANCIAL REPORT

2. Changes in accounting policies and disclosure

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

Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operation*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an investor and its Associate or Joint Venture*

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments have had no impact on the Group as the Group does not have acquisitions of interest in a joint operation.

NOTES TO THE FINANCIAL REPORT

2. Changes in accounting policies and disclosure (continued)

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments have had no impact on the Group.

The HKAS 27 (2011) Amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying HKFRSs and electing to change to the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements are required to apply the change retrospectively. The amendments do not have any material impact on the Group.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

2. Changes in accounting policies and disclosure (continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no impact on the Group as they are consistent with the policies already adopted by the Group.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The Group has adopted the amendments to HKFRS 10 and HKAS 28 (2011) and full gain on sale of business is recognised, which does not result in restatement of comparative figure.

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, rental income from finance lease and gross sale proceeds from disposal of trading securities of secondary market investments.

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

	1 January to 30 June 2016 HK$'000	1 January to 30 June 2015 HK$'000
Operating income		
Consultancy and management fee income	**164,485**	145,641
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	**27,471**	25,865
– advances to customers	**85,222**	211,957
– unlisted debt securities	**15,476**	58,790
Dividend income		
– listed investments	**400,889**	382,994
– unlisted investments	**295,325**	113,049
Net realised gain on trading securities		
– equity securities	**30,318**	187,517
– debt securities	**2,331**	2,693
– derivatives	**133**	383
Net unrealised gain/(loss) on trading securities		
– equity securities	**(14,084)**	40,008
– debt securities	**716**	(963)
– derivatives	**2,475**	712
Gross rental income	**2,099**	2,155
Rental income from finance lease	**2,790**	–
	1,015,646	1,170,801

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

	1 January to 30 June 2016 HK$'000	1 January to 30 June 2015 HK$'000
Other net income		
Net realised gain on disposal of available-for-sale securities	663,374	512,069
Net realised gain on disposal of financial assets designated at fair value through profit or loss	137,945	765,065
Unrealised loss on financial assets designated at fair value through profit or loss	(48,070)	(112,925)
Reversal of impairment loss on debtors, deposits and prepayments	–	36,018
Reversal of impairment loss on an amount due from an investee company	–	7,291
Loss on losing control of a subsidiary	–	(2,819)
Realised gain on disposal of an associate	343,031	–
Net exchange gain/(loss)	44,119	(13,731)
Others	5,683	6,497
	1,146,082	1,197,465

4. Income Tax

The provision for Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the six months ended 30 June 2016. Taxation for overseas subsidiaries is calculated at the appropriate current rates of taxation in the relevant countries.

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

	1 January to 30 June 2016 HK$'000	1 January to 30 June 2015 HK$'000
Continuing operations		
Current taxation		
– Hong Kong profit tax	**(8,320)**	–
– Overseas taxation	**(224,139)**	(297,829)
– Overprovision in respect of Hong Kong profits tax in prior years	**12,201**	68,437
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	**17,187**	(95,902)
Income tax	**(203,071)**	(325,294)

5. Discontinued Operations

On 9 March 2015 and 6 November 2015, the Group acquired 97.85% equity interest in Burke E. Porter Machinery Company ("BEP") and 59% equity interest in Lapmaster Group Holdings, LLC ("Lapmaster"), with a view to hold them for resale within one year.

In order to capitalise on opportunities accorded to Chinese enterprises venturing overseas, the Group, through its subsidiaries, has established an investment fund, known as the CEL Global Investment Fund, L.P. (the "Global Investment Fund").

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. On 30 April 2016, the Group transferred its equity interest in BEP to Global Investment Fund.

Lapmaster is headquartered in Chicago, USA. Lapmaster is a developer and manufacturer for highly engineered precision surface finishing equipment and consumables with global presence. The Group intends to transfer its equity interest in Lapmaster to the Global Investment Fund. The relevant equity interest held in Lapmaster 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*.

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

As at 30 June 2016, the Group provided a term loan of US$28,000,000 to Lapmaster. The loan is interest bearing and has fixed repayment terms.

6. Dividends

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

	1 January to 30 June 2016 HK$'000	1 January to 30 June 2015 HK$'000
– Interim dividend declared after the end of the reporting period of HK$0.25 (2015: HK$0.25) per share	**421,313**	421,313

The directors declared an interim dividend of HK$0.25 per share (2015: HK$0.25 per share) for the six months period ended 30 June 2016. The declared 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 2016 HK$'000	1 January to 30 June 2015 HK$'000
– Final dividend in respect of the previous financial year, approved and paid during the period of HK$0.5 (2015: HK$0.33) per share	**842,627**	556,134

7. Other Comprehensive Income

Reclassification adjustments relating to components of the other comprehensive income

	1 January to 30 June 2016 HK$'000	1 January to 30 June 2015 HK$'000
Available-for-sale securities:		
Changes in fair value recognised during the period	**(2,423,414)**	4,053,837
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	**(663,374)**	(512,069)
– impairment losses	**407,802**	7,764
Net movement in investment revaluation reserve during the period recognised in other comprehensive income	**(2,678,986)**	3,549,532

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 2016 is based on the profit attributable to equity shareholders of the Company for continuing and discontinued operations of HK$1,335,501,000 and HK$75,891,000 respectively (six months ended 30 June 2015 for continuing operations and discontinued operations of HK$3,201,736,000 and HK$23,901,000 respectively) and the weighted average number of 1,685,253,712 shares (six months ended 30 June 2015: 1,685,253,712 shares) in issue during the period.

NOTES TO THE FINANCIAL REPORT

9. Investments in Associates

(a) Investments in associates

	30 June 2016 HK$'000	31 December 2015 HK$'000
Carrying value, net	**14,450,762**	15,948,829

(b) As at 30 June 2016, particulars of principal associates of the Group are as follows:

Name of associate	Place of incorporation/ operation	Principal activities	Percentage of equity interest held by the Company
Everbright Securities Company Limited# ("Everbright Securities")	The PRC	Securities operations (note 1)	29.16%
China Aircraft Leasing Group Holdings Limited## ("CALGH")	Cayman Islands	Investment holding (note 2)	33.45%* (note 3)
首譽光控資產管理有限公司	The PRC	Asset 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%*

9. Investments in Associates (continued)

(b) As at 30 June 2016, particulars of principal associates of the Group are as follows: (continued)

Market value of the listed shares in mainland China as at 30 June 2016 was HK$22,776,556,000 (31 December 2015: HK$31,204,468,000).

Market value of the listed shares in Hong Kong as at 30 June 2016 was HK$1,514,337,000 (31 December 2015, HK$1,661,116,000).

* Held indirectly

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

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

Note 3: The Group equity interest was diluted from 34.27% to 33.45% 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 amounted to HK$17,697,000 (2015: HK$20,274,000) was charged to the condensed consolidated statement of profit or loss.

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.

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9. Investments in Associates (continued)

(b) As at 30 June 2016, particulars of principal associates of the Group are as follows: (continued)

On 15 June 2016, the Group entered into the Sale and Purchase Agreement with the Everbright Securities Financial Holdings Limited, a wholly-owned subsidiary of Everbright Securities, to sell 49% of the issued share capital of the Everbright Securities (International) Limited for a consideration of HK$930 million, the transaction was completed on 29 June 2016 (the "Completion Date"). Accordingly, a realised gain on disposal of an associate amounting to HK$343,031,000 was credited to the condensed consolidated statement of profit or loss. Subsequent to completion of the transaction, the Group have no interest in the Everbright Securities (International) Limited.

For the six months ended 30 June 2016, Everbright Securities has recorded an after tax profit of RMB1,515 million (six months ended 30 June 2015: RMB4,878 million) and the Group's share of profit as per the associates' financial statements, under equity accounting method, amounted to HK$524 million (six months ended 30 June 2015: HK$2,033 million). In addition to the remaining 49% stake of Everbright Securities (International) Limited, the Group was entitled to the results of Everbright Securities (International) Limited through its holding of 29.16% of shares of Everbright Securities, which has a 51% stake in Everbright Securities (International) Limited during the period from 1 January 2016 to the Completion Date.

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

(c) Amounts due from associates

Amounts due from associates are unsecured, interest-free and have 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 repayment.

10. Investments in Joint Ventures

(a) Investments in joint ventures

	30 June 2016 HK$'000	31 December 2015 HK$'000
Carrying value, net	**398,929**	625,047

(b) As at 30 June 2016, details of the Group's principal investments in joint ventures are mainly as follows:

Name of joint venture	Place of incorporation/ operation	Principal activities	Particulars of issued capital	Percentage of equity interest held by the Company
Everbright Guolian Capital Company Limited	The PRC	Venture capital and investment advisory (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%*

* Held indirectly

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

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

All of the above joint ventures are unlisted corporate entities whose quoted market prices were not available as at 30 June 2016. They are accounted for using the equity method in the condensed consolidated financial statements.

10. Investments in Joint Ventures (continued)

(c) Amounts due from joint ventures

As at 31 December 2015, amounts due from joint ventures were unsecured, interest-free and had no fixed terms of repayment.

11. Available-For-Sale Securities

	30 June 2016 HK$'000	31 December 2015 HK$'000
At fair value:		
Listed equity securities		
– in Hong Kong	**762,571**	1,114,861
– outside Hong Kong	**10,566,971**	14,079,422
Unlisted equity securities/ collective investment schemes		
– in Hong Kong	**22,436**	17,148
– outside Hong Kong	**6,011,982**	5,658,476
Listed debts securities		
– in Hong Kong	**–**	5,636
– outside Hong Kong	**91,271**	90,951
Unlisted debts securities	**13,288**	241,474
At cost [(i)]:		
Unlisted equity securities	**463,064**	545,363
	17,931,583	21,753,331

(i) At 30 June 2016, the investments were measured at cost less impairment because the range of reasonable fair value measurement was significant and the probabilities of the various estimates within the range cannot be reasonably assessed.

11. Available-For-Sale Securities (continued)

The Group's investments in listed equity securities with fair values of HK$2,160,257,000, HK$112,149,000 and HK$529,943,000 are subject to a lock-up provision which restricted the Group from selling the equity securities on or before 29 December 2016, 29 December 2016 and 19 May 2018 respectively.

	30 June 2016 HK$'000	31 December 2015 HK$'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	**577,023**	340,839
– outside Hong Kong	**529,944**	–
Unlisted equity securities	**477,506**	308,664
	1,584,473	649,503

As at 30 June 2016, 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 2016:

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

(i) As at 30 June 2016, the carrying value of interests in Everbright Bank exceeded 10% of total assets of the Group.

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

	30 June 2016 HK$'000	31 December 2015 HK$'000
Non-current assets		
At fair value:		
Listed equity securities		
– in Hong Kong	**72,112**	82,945
– outside Hong Kong	**2,980,206**	1,733,860
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	**5,958,278**	4,658,166
Unlisted convertible preference shares		
– outside Hong Kong	**840,518**	939,183
Unlisted debt securities		
– outside Hong Kong	**2,174,929**	1,467,430
	12,026,043	8,881,584
Current assets		
At fair value:		
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	**972,095**	2,494,863
Unlisted debt securities and derivatives		
– outside Hong Kong	**209,778**	384,360
	1,181,873	2,879,223

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

As at 30 June 2016, the Group's listed and unlisted equity securities amounting to a fair value of HK$6,021,693,000 (31 December 2015: HK$6,302,378,000) were investments in associates and joint ventures. The Group was exempted from applying the equity method to these investment and they were recognised as financial assets designated at fair value through profit or loss.

As at 30 June 2016, balances of HK$233,563,000 (31 December 2015: HK$294,147,000) were due from these investee companies which were associates recognised as financial assets designated at fair value through profit or loss. The amounts due from these investee companies are unsecured, interest-free and have no fixed terms of repayment.

As at 30 June 2016, balances of HK$289,149,000 were amounts due to investee companies (31 December 2015:HK$238,800,000) which were recognised as financial assets designated at fair value through profit or loss. The amounts due to investee companies are unsecured, interest-free and have no fixed terms of repayment.

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

	2016 **HK$'000**	2015 HK$'000
As at 1 January	**784,743**	544,939
Addition for the period/year	**–**	294,888
Released during the period/year	**(222,890)**	–
Exchange adjustment	**13,984**	(55,084)
As at 30 June/31 December	**575,837**	784,743

13. Advances to Customers

	30 June 2016 HK$'000	31 December 2015 HK$'000
Non-current assets		
Term loans to customers		
– secured	**578,411**	730,609
– unsecured	**–**	708,274
	578,411	1,438,883
Current assets		
Term loans to customers		
– secured	**1,555,912**	2,612,346
– unsecured	**93,228**	38,755
	1,649,140	2,651,101

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

There were no significant receivable that were aged as of 30 June 2016 and 31 December 2015.

14. Debtors, Deposits and Prepayments

	30 June 2016 HK$'000	31 December 2015 HK$'000
Accounts receivable, net	**1,935,610**	880,445
Deposits, prepayments, interest and other receivables	**1,223,589**	571,198
	3,159,199	1,451,643

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

15. Trading Securities

	30 June 2016 HK$'000	31 December 2015 HK$'000
Current assets		
At fair value:		
Listed equity securities		
– in Hong Kong	**182,149**	268,270
– outside Hong Kong	**484,407**	344,832
Listed debt securities		
– in Hong Kong	**65,945**	72,946
– outside Hong Kong	**387,507**	348,747
Unlisted debt securities	**74,680**	27,192
Derivatives		
– listed	**–**	45
– unlisted	**3,675**	8,260
	1,198,363	1,070,292
Current liabilities		
At fair value:		
Listed equity securities		
– in Hong Kong	**(16,102)**	(43,197)
– outside Hong Kong	**(17,217)**	(125,228)
Listed debt securities		
– outside Hong Kong	**(22,209)**	(63,287)
Unlisted debt securities	**(36,972)**	–
Derivatives		
– listed	**–**	(434)
– unlisted	**(1,505)**	(6,998)
	(94,005)	(239,144)

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16. Bank Loans

As at 30 June 2016, the bank loans were repayable as follows:

	30 June 2016 HK$'000	31 December 2015 HK$'000
Within 1 year	**6,410,125**	3,170,845
After 1 year but within 5 years	**8,920,435**	10,283,111
	15,330,560	13,453,956

As at 30 June 2016, the bank loans were secured as follows:

	30 June 2016 HK$'000	31 December 2015 HK$'000
Bank Loans		
– secured	**37,756**	42,060
– unsecured	**15,292,804**	13,411,896
	15,330,560	13,453,956

As at 30 June 2016, bank loans of the Group of HK$37,756,000 (31 December 2015: HK$42,060,000) were secured by a property situated in mainland China.

17. Amount Due to a Fellow Subsidiary and a Shareholder

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

The whole amount was fully repaid during the period.

18. Creditors, Deposits Received and Accrued Charges

	30 June 2016 HK$'000	31 December 2015 HK$'000
Creditors, deposits received and accrued charges	**1,249,049**	1,327,476

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

19. Notes Payable

	30 June 2016 HK$'000	31 December 2015 HK$'000
Current liabilities		
Unlisted notes issued by the Group, at fair value	**57,000**	57,000

As at 30 June 2016, the Group issued three notes to two independent third parties. The notes payable are interest-bearing, two of them have fixed repayment terms while one of them is repayable on demand.

20. Maturity Profile

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

As at 30 June 2016

	Indefinite HK$'000	Repayable on demand HK$'000	3 months or less HK$'000	1 year or less but over 3 months HK$'000	5 years or less but over 1 year HK$'000	After 5 years HK$'000	Total HK$'000
Assets							
– Advances to customers	–	879,611	93,228	676,301	578,411	–	2,227,551
– Finance lease receivable	–	–	9,604	29,697	41,643	–	80,944
– Trading securities	1,188,282	–	3,307	6,774	–	–	1,198,363
– Available-for-sale securities	17,897,876	–	–	–	33,707	–	17,931,583
– Financial assets designated at fair value through profit or loss	9,189,933	–	209,778	972,095	2,836,110	–	13,207,916
– Cash and cash equivalents	–	3,476,386	1,819,265	–	–	–	5,295,651
	28,276,091	4,355,997	2,135,182	1,684,867	3,489,871	–	39,942,008
Liabilities							
– Bank loans	–	–	–	(6,410,125)	(8,920,435)	–	(15,330,560)
– Other financial liabilities	–	(2,821,378)	–	–	(502,322)	(368,504)	(3,692,204)
– Trading securities	(34,823)	–	(59,182)	–	–	–	(94,005)
– Notes payable	–	(27,000)	(30,000)	–	–	–	(57,000)
	(34,823)	(2,848,378)	(89,182)	(6,410,125)	(9,422,757)	(368,504)	(19,173,769)

20. Maturity Profile (continued)

As at 31 December 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
Assets							
– Advances to customers	–	228,937	1,285,719	1,136,445	1,438,883	–	4,089,984
– Finance lease receivable	–	–	9,453	29,167	62,314	–	100,934
– Trading securities	595,419	–	466,198	8,675	–	–	1,070,292
– Available-for-sale securities	21,622,813	–	–	–	130,518	–	21,753,331
– Financial assets designated at fair value through profit or loss	6,836,743	–	967,140	1,912,083	2,044,841	–	11,760,807
– Cash and cash equivalents	–	3,129,784	1,558,472	–	–	–	4,688,256
	29,054,975	3,358,721	4,286,982	3,086,370	3,676,556	–	43,463,604
Liabilities							
– Bank loans	–	–	–	(3,170,845)	(10,283,111)	–	(13,453,956)
– Amount due to a fellow subsidiary and a shareholder	–	–	(1,000,000)	–	–	–	(1,000,000)
– Other financial liabilities	–	(3,038,933)	–	–	(457,371)	(56,427)	(3,552,731)
– Trading securities	(175,857)	–	(63,287)	–	–	–	(239,144)
– Notes payable	–	(27,000)	–	(30,000)	–	–	(57,000)
	(175,857)	(3,065,933)	(1,063,287)	(3,200,845)	(10,740,482)	(56,427)	(18,302,831)

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21. Share Capital

	30 June 2016 No. of shares ('000)	30 June 2016 HK$'000	31 December 2015 No. of shares ('000)	31 December 2015 HK$'000
Ordinary shares issued and fully paid:				
End of period/year	**1,685,254**	**9,618,097**	1,685,254	9,618,097

22. Material Related Party Transactions

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

	1 January to 30 June 2016 HK$'000	1 January to 30 June 2015 HK$'000
Management fee received from:		
– a joint venture	**1,670**	2,925
– an associate exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss	**2,497**	3,436
Loan interest income from associates exempted from applying the equity method and were recognised as financial assets designated at fair value through profit or loss	**10,636**	9,517
Consultancy and other service income from associates	**–**	23,253
Bank interest income from a fellow subsidiary/a related party bank	**4,636**	18,156
Advisory income from associates	**5,464**	5,080
Bank loan interest expense to a fellow subsidiary	**8,699**	–
Interest expense to a fellow subsidiary and a shareholder	**4,597**	11,445

22. Material Related Party Transactions (continued)

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

	30 June 2016 HK$'000	31 December 2015 HK$'000
Amounts due from associates (included in debtors, deposits and prepayments)	**325,066**	50,522
Loans to associates exempted from applying the equity method and are recognised as a financial asset designated at fair value through profit or loss (included in advances to customers)	**209,600**	247,869
Bank deposit with a fellow subsidiary	**839,015**	899,106
Bank loan from a fellow subsidiary	**(776,900)**	(775,100)
Amount due to an associate (included in other financial liabilities)	**(2,821,378)**	(3,038,933)
Interests in collective investment scheme issued by an associate (included in available-for-sale securities)	**941,387**	806,475
Interests in collective investment schemes issued by an associate (included in financial assets designated at fair value through profit or loss)	**1,000,420**	3,001,716

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

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

22. Material Related Party Transactions (continued)

(c) Transactions with other PRC state-owned entities

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

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

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

23. Contingent Liabilities

Corporate guarantee

	Note	**30 June 2016 HK$'000**	31 December 2015 HK$'000
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	i	**2,555,480**	2,550,200

Note:

i. The Group's subsidiaries have utilised HK$2,555,480,000 of these banking facilities as at 30 June 2016 (31 December 2015: HK$2,015,260,000).

24. Commitments

(a) Capital commitments

As at 30 June 2016, the Group had capital commitments as follows:

	30 June 2016 HK$'000	31 December 2015 HK$'000
Contracted but not provided for	**5,363,844**	3,110,124

(b) Operating lease commitments

Operating lease commitments as at 30 June 2016 amounted to approximately HK$11,272,000 (31 December 2015: HK$15,216,000) of which HK$7,347,000 (31 December 2015: HK$7,674,000) is payable in the next twelve months. The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2016 HK$'000	31 December 2015 HK$'000
Not later than one year	**7,347**	7,674
Later than one year and not later than five years	**3,925**	7,542
	11,272	15,216

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 2016 are detailed as follows:

	Fair value assets/ (liabilities)		Contractual/ notional amounts	
	30 June 2016 HK$'000	31 December 2015 HK$'000	**30 June 2016 HK$'000**	31 December 2015 HK$'000
Asset derivative contracts	**119,939**	124,570	**610,877**	530,572
Liability derivative contracts	**(1,505)**	(7,432)	**19,422**	330,979

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

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.

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.

25. Financial Instruments (continued)

(a) Credit risk (continued)

The Group has well defined policies in place on the setting and approval of trading, credit and investment position limits in order to manage its credit risk exposure and concentration. As at the end of the reporting period date, the Group did not have a significant concentration of credit risk other than the provision of advances to customers which are secured by listed and unlisted securities or leasehold land in mainland China with third party guarantees of HK$2,134 million (31 December 2015: HK$3,343 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, at the end of the reporting period 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 end of the reporting period amounted to HK$2,555 million (31 December 2015: HK$2,550 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.

(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.

25. Financial Instruments (continued)

(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 five 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.

The Group is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In respect of the Group's interest-bearing financial instruments, the Group's policy is to transact in financial instruments that mature or reprice in the short term, i.e. no longer than 12 months. Accordingly, the Group would be subject to limited exposure to fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

(d) Currency risk

The Group's exposure to exchange risk primarily stems from holdings of monetary assets and liabilities denominated in foreign currencies, other than Hong Kong dollars and net investment in foreign operations. As most of the Group's monetary assets and liabilities and net investment in foreign operations are denominated in Hong Kong dollars, 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.

25. Financial Instruments (continued)

(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.

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$'000	Gross amounts of recognised financial liabilities set off in the condensed consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the condensed consolidated statement of financial position HK$'000	Related amounts not set off in the condensed consolidated statement of financial position HK$'000	Net amount HK$'000
As at 30 June 2016					
Trading securities	**720,998**	**-**	**720,998**	**(93,905)**	**627,093**
Debtors, deposits and prepayments	**188,139**	**-**	**188,139**	**-**	**188,139**
As at 31 December 2015					
Trading securities	785,798	–	785,798	(229,124)	556,674
Debtors, deposits and prepayments	368,221	–	368,221	–	368,221

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25. Financial Instruments (continued)

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

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

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the condensed consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the condensed consolidated statement of financial position HK$'000	Related amounts not set off in the condensed consolidated statement of financial position HK$'000	Net amount HK$'000
As at 30 June 2016					
Trading securities	**94,005**	**–**	**94,005**	**(93,905)**	**100**
Creditors, deposits received and accrued charges	**227,614**	**–**	**227,614**	**–**	**227,614**
As at 31 December 2015					
Trading securities	239,144	–	239,144	(229,124)	10,020
Creditors, deposits received and accrued charges	85,384	–	85,384	–	85,384

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 condensed consolidated statement of financial position:

	Net amount HK$'000	Carrying amounts in the condensed consolidated statement of financial position HK$'000	Financial assets not in scope of offsetting disclosure HK$'000	Notes
As at 30 June 2016				
Trading securities	**720,998**	**1,198,363**	**477,365**	**15**
Debtors, deposits and prepayments	**188,139**	**3,159,199**	**2,971,060**	**14**
As at 31 December 2015				
Trading securities	785,798	1,070,292	284,494	15
Debtors, deposits and prepayments	368,221	1,451,643	1,083,422	14

	Net amount HK$'000	Carrying amounts in the condensed consolidated statement of financial position HK$'000	Financial liabilities not in scope of offsetting disclosure HK$'000	Notes
As at 30 June 2016				
Trading securities	**94,005**	**94,005**	**-**	**15**
Creditors, deposits received and accrued charges	**227,614**	**1,249,049**	**1,021,435**	**18**
As at 31 December 2015				
Trading securities	239,144	239,144	–	15
Creditors, deposits received and accrued charges	85,384	1,327,476	1,242,092	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 a valuer independent from the investment teams 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 valuer at each of the 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.

26. Fair Value of Financial Instruments (continued)

As at 30 June 2016

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurement				
Assets				
Available-for-sale securities	11,420,813	140,036	6,370,734	17,931,583
Financial assets designated at fair value through profit or loss	3,052,318	–	10,155,598	13,207,916
Trading securities	1,120,008	78,355	–	1,198,363
	15,593,139	218,391	16,526,332	32,337,862
Liabilities				
Notes payable	–	–	(57,000)	(57,000)
Trading securities	(55,528)	(38,477)	–	(94,005)
	(55,528)	(38,477)	(57,000)	(151,005)

As at 31 December 2015

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurement				
Assets				
Available-for-sale securities	15,290,870	138,168	6,324,293	21,753,331
Financial assets designated at fair value through profit or loss	1,816,805	–	9,944,002	11,760,807
Trading securities	720,563	349,729	–	1,070,292
	17,828,238	487,897	16,268,295	34,584,430
Liabilities				
Notes payable	–	–	(57,000)	(57,000)
Trading securities	(232,146)	(6,998)	–	(239,144)
	(232,146)	(6,998)	(57,000)	(296,144)

26. Fair Value of Financial Instruments (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

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

Information about Level 3 fair value measurements

As at 30 June 2016

Valuation techniques	Significant unobservable inputs	Range	Increase/ (decrease) in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss HK$'000	Favourable/ (unfavourable) impact on other comprehensive income HK$'000
Market comparable companies	Discount for lack of marketability	20% to 30%	5%	(18,356)	(46,337)
			(5%)	18,356	46,337
	Market multiples	2.3 to 52.4	5%	60,379	156,261
			(5%)	(60,379)	(156,261)
Binomial model and equity allocation model	Discount rate	4.33% to 21.77%	5%	(44,819)	–
			(5%)	40,043	–
	Volatility	33.29% to 65.99%	5%	17,196	–
			(5%)	(23,402)	–
Term and reversion approach	Adjusting factor on characteristic of the properties	0.76 to 0.87	5%	–	10,294
			(5%)	–	(10,294)
Market approach	Adjusting factor on characteristic of the properties	0.89 to 1.16	5%	–	17,336
			(5%)	–	(17,336)

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

26. Fair Value of Financial Instruments (continued)

Information about Level 3 fair value measurements (continued)

As at 31 December 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%	(24,133)	(61,415)
			(5%)	24,133	61,415
	Market multiples	1 to 26	5%	37,460	124,085
			(5%)	(37,460)	(124,085)
Term and reversion approach	Adjusting factor on characteristic of the properties	0.76 to 0.87	5%	–	10,868
			(5%)	–	(10,868)
Market approach	Adjusting factor on characteristic of the properties	0.89 to 1.16	5%	–	18,328
			(5%)	–	(18,328)

The fair value of unquoted equity investments is estimated using an appropriate combination of (1) applying 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.

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 end of the reporting period taking into account current market conditions. The discount rate used is a market rate for a similar instrument at the end of the reporting period. The fair value of an option contract is determined by applying an option valuation model such as the Black-Scholes valuation model. Inputs are based on market related data at the end of the reporting period.

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

	Available-for-sale securities HK$'000	Financial assets designated at fair value through profit or loss HK$'000	Notes payable HK$'000
At 1 January 2015	6,889,233	5,528,414	(57,000)
Purchased	2,604,978	6,454,997	–
Net unrealised gain or loss recognised in other comprehensive income	2,787,025	–	–
Net unrealised gain or loss recognised in profit or loss	–	(167,730)	–
Sales	(2,028,702)	(1,559,041)	–
Reclassification	(3,928,241)	(312,638)	–
At 31 December 2015 and 1 January 2016	6,324,293	9,944,002	(57,000)
Purchased	**463,265**	**2,697,282**	**–**
Net unrealised gain or loss recognised in other comprehensive income	**72,270**	**–**	**–**
Net unrealised gain or loss recognised in profit or loss	**–**	**1,111,456**	**–**
Sales	**(489,094)**	**(3,597,142)**	**–**
At 30 June 2016	**6,370,734**	**10,155,598**	**(57,000)**

26. Fair Value of Financial Instruments (continued)

During the period ended 30 June 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

As at 31 December 2015, three of the available-for-sale securities with a fair value of HK$2,816,286,000, HK$416,136,000 and HK$792,648,000 respectively were previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As an unadjusted quoted price is available in the active market, the fair value measurement of these equity securities were accordingly transferred from level 3 to level 1 of the fair value hierarchy.

As at 31 December 2015, one of the available-for-sales securities with a fair value of HK$132,864,000 was previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As 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.

As at 31 December 2015, one of the available-for-sales securities with a fair value of HK$5,305,000 was previously using an unadjusted quoted price in the active market. As an unadjusted quoted price is no longer available in the active market and observable inputs were obtained and applied to the valuation technique, accordingly the investment was transferred from Level 1 to Level 2 of the fair value hierarchy.

As at 31 December 2015, one of the financial assets designated at fair value through profit or loss with a fair value of HK$82,945,000 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 these equity securities were accordingly transferred from level 3 to level 1 of the fair value hierarchy.

NOTES TO THE FINANCIAL REPORT

27. Segment Information

The Group manages and conducts the majority of its business activities by business unit. 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 to the Group's Fund raising from specific clients, applying its knowledge and experience to make investment decisions on capital raised from external investors and the seed capital from the Group, according to laws, regulations and fund prospectus, while seeking to maximise gains for investors. The fund management business is comprised of primary market investments, secondary market investments, mezzanine fund and Everbright Prestige.

- Primary market investments includes:

  – Private equity funds – investments 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 investments 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.

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 return 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 investments 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.

NOTES TO THE FINANCIAL REPORT

27. Segment Information (continued)

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.

27. Segment Information (continued)

Business segments

For the six months period ended 30 June 2016:

	Continuing operations									Discontinued operations	
	Fund Management Business										
	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$'000	Principal Investment HK$'000	Total HK$'000
INCOME											
Operating income from external customers	481,287	62,144	4,548	-	112,908	352,667	1,013,554	2,092	1,015,646	-	1,015,646
Other net income from external customers	220,677	(10,431)	4,146	-	201,201	343,031	758,624	387,458	1,146,082	-	1,146,082
Total operating income and other net income	701,964	51,713	8,694	-	314,109	695,698	1,772,178	389,550	2,161,728	-	2,161,728
RESULTS AND RECONCILIATION OF SEGMENT RESULTS											
Segment results before non-controlling interests	464,212	9,143	2,742	-	(55,021)	674,037	1,095,113	387,976	1,483,089	94,570	1,577,659
Unallocated head office and corporate expenses											(286,051)
Share of profits less losses of associates, as per the associates' financial statements	39,727	-	-	4,758	84,644	436,200	565,329	-	565,329	-	565,329
Share of profits less losses of joint ventures, as per the joint ventures' financial statements	6,973	-	-	-	-	-	6,973	-	6,973	-	6,973
Loss on deemed disposal of interest in an associate	-	-	-	-	(17,697)	-	(17,697)	-	(17,697)	-	(17,697)
Profit before taxation											1,846,213
Less: Non-controlling interests	(214,530)	3,730	(1,885)	-	(485)	-	(213,170)	99	(213,071)	(18,679)	
Segment results	296,382	12,873	857	4,758	11,441	1,110,237	1,436,548	388,075	1,824,623	75,891	

NOTES TO THE FINANCIAL REPORT

27. Segment Information (continued)

For the six months period ended 30 June 2015:

	Continuing operations									Discontinued operations	
	Fund Management Business										
	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$'000	Principal Investment HK$'000	Total HK$'000
INCOME											
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
RESULTS AND RECONCILIATION OF SEGMENT RESULTS											
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)

Other Information

As at 30 June 2016:

	Continuing operations									Discontinued operations	
	Fund Management Business										
	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$'000	Principal Investment HK$'000	Total HK$'000
Segment assets	16,178,159	1,371,979	443,994	-	14,889,808	8,161,764	41,045,704	2,309,074	43,354,778	1,494,994	44,849,772
Investments in associates	375,629	-	-	93,774	761,186	13,220,173	14,450,762	-	14,450,762	-	14,450,762
Investments in joint ventures	398,929	-	-	-	-	-	398,929	-	398,929	-	398,929
Amounts due from investee companies	190,096	-	-	-	43,467	-	233,563	-	233,563	-	233,563
Amounts due from associates	18,235	-	-	-	-	806,726	824,961	1,000,000	1,824,961	-	1,824,961
Finance lease receivable	-	-	-	-	80,944	-	80,944	-	80,944	-	80,944
Unallocated head office and corporate assets											214,588
Total assets											62,053,519
Segment liabilities	4,187,610	137,031	-	-	2,233,867	-	6,558,508	4,062	6,562,570	605,114	7,167,684
Amount due to an associate	-	-	-	47,186	-	-	47,186	-	47,186	-	47,186
Amount due to an investee company	-	-	-	-	289,149	-	289,149	-	289,149	-	289,149
Provision for taxation											417,719
Deferred tax liabilities											622,504
Unallocated head office and corporate liabilities											13,860,249
Total liabilities											22,404,491

27. Segment Information (continued)

As at 31 December 2015:

	Continuing operations									Discontinued operations	
	Fund Management Business										
	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$'000	Principal Investment HK$'000	Total HK$'000
Segment assets	17,005,033	3,058,613	449,590	–	16,179,759	7,962,070	44,655,065	673,388	45,328,453	2,914,436	48,242,889
Investments in associates	338,927	–	–	87,044	738,836	14,784,022	15,948,829	–	15,948,829	–	15,948,829
Investments in joint ventures	625,047	–	–	–	–	–	625,047	–	625,047	–	625,047
Amounts due from investee companies	221,527	–	–	–	72,620	–	294,147	–	294,147	–	294,147
Amounts due from associates	18,448	–	–	16	–	–	18,464	–	18,464	–	18,464
Amounts due from joint ventures	6,839	–	–	–	–	–	6,839	–	6,839	–	6,839
Unallocated head office and corporate assets											144,828
Total assets											65,281,043
Segment liabilities	1,342,344	245,393	–	–	4,778,365	–	6,366,102	18,288	6,384,390	1,111,658	7,496,048
Amount due to a joint venture	–	–	–	–	427	–	427	–	427	–	427
Amount due to an investee company	–	–	–	–	238,800	–	238,800	–	238,800	–	238,800
Provision for taxation											331,057
Deferred tax liabilities											1,021,285
Unallocated head office and corporate liabilities											13,245,917
Total liabilities											22,333,534

27. Segment Information (continued)

Geographical segments

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

	For the six months period ended 30 June 2016			For the six months period ended 30 June 2015		
	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Segment income						
Operating income	**742,257**	**273,389**	**1,015,646**	1,049,322	121,479	1,170,801
Other net income	**793,874**	**352,208**	**1,146,082**	874,586	322,879	1,197,465
	1,536,131	**625,597**	**2,161,728**	1,923,908	444,358	2,368,266

	30 June 2016			31 December 2015		
	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Specified non-current assets	**1,114,885**	**14,283,909**	**15,398,794**	1,882,135	15,249,775	17,131,910

NOTES TO THE FINANCIAL REPORT

28. Non-adjusting Events After the Reporting Period

On 8 June 2016, the Board has resolved to approve the proposed issue of the corporate bonds to qualified investors with an aggregate principal amount of not more than RMB12,800,000,000 in one or more tranches. The Board is of the view that the proposed bond issue can supplement the working capital of the Company within a reasonable time and enable the Company to optimise its financing structure and manage the overall financial cost within reasonable range.

On 25 July 2016, the issue of the first tranche of corporate bonds by the Company has been completed with an aggregate principal amount of RMB4,000,000,000, of which RMB1,000,000,000 was issued at a coupon rate of 2.92%, and RMB3,000,000,000 was issued at a coupon rate of 3.24%.

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 60 which comprises the condensed consolidated statement of financial position of China Everbright Limited (the "Company") and its subsidiaries (together, the "Group") as of 30 June 2016 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income and condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month then ended and explanatory notes. The Main Board Listing 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*, ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial report based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 is not prepared, in all material respects, in accordance with HKAS 34.

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

31 August 2016

OVERVIEW OF THE FIRST HALF OF 2016

Review of the macroeconomic situation

The world's major economies faced challenges of varying intensity in the first half of 2016. The US recovered to a state of relative stability as unemployment improved significantly and the property market picked up. However, in view of the sluggish global economy and the impact of falling commodity prices on inflation expectation, the US Federal Reserve may slow the pace of future interest rate hikes. In the EU, signs of slight economic improvement emerged earlier this year. However, the UK voted to leave the EU in a June referendum, the progress of European Integration will be stalled. The region is now facing a debt-ridden banking system in Italy and a refugee crisis in Germany. All these will pose significant challenges to the progress of Europe integration. The EU is expected to reform its existing system to ease disagreements among its member states, a long and bumpy ride that will have an impact on investor sentiment in the financial markets and create more uncertainties for the global economy. The prospect for Japanese economy remains unpromising. Amid weak economic growth, the pace of inflation remains below target, indicating that the Bank of Japan may be running out of effective measures to further stimulate the economy.

During the reporting period, the Chinese economy demonstrated L-shaped movement. In the short run, the economy faces a multitude of challenges: Economic restructuring is far from complete and new growth drivers have yet to emerge. Downside risk for the economy remains. Also, the RMB has weakened slightly due to risk aversion across the globe. Against this background, China's regulatory authorities have adopted a relatively prudent foreign exchange policy and tightened capital outflow channels. However, given its relatively high economic growth compared to other economies, relatively abundant foreign exchange reserves, reasonable levels of foreign debt and huge potential for public infrastructure investment, China is fortunate to have a wide choice of policy tools, making a hard landing unlikely. In general, the Chinese economy remains resilient with ample room for self-adjustment and maneuvering.

OVERVIEW OF THE FIRST HALF OF 2016

Major Events in the First Half of 2016

Confronted with a relatively bearish external environment, China Everbright Limited ("CEL" or "the Group") implemented structural adjustments and actively optimised its business model. Following are the major Events in the first half of 2016:

1. Primary Market Funds continued to grow, and accelerated the development of new products. During the reporting period, CEL and IDG Capital Partners joined forces to create a merger and acquisitions fund, with total committed capital of RMB20 billion. CEL's EBA Investments retained its number one spot in the "Top Ten in Terms of Comprehensive Strength Among the 2016 China Real Estate Funds" in China and continues to see rapid growth. The Company's overseas funds team accelerated the pace of financing and investment, and it also set up the CEL Global Investment Fund.

2. Star products surged in Secondary Market Funds. Through the development of new products and via cooperation with Everbright Prestige and third-party sales organisations, Secondary Market Funds gradually started managing more external funds within and outside China. During the reporting period, Everbright China Focus Fund was ranked number one by leading hedge fund research and rating firm BarclayHedge in the category of "Emerging Markets Equity – Asia" for 2015. It was also the winner in the category of 'Best Asian Long Only Absolute Return Fund' at the Eurekahedge Asian Hedge Fund Awards 2016.

3. Principal Investment pursued active asset allocations across various industries. In the first half of 2016, CEL invested in industry leaders such as Haiyin Fund, Beijing Huichen Nursing Home, and Circle Internet Financial Ltd. ("Circle") to accelerate its forays into internet and smart technology, elderly care and block-chain finance.

4. Disposal of non-actively managed assets: On 29 June 2016, CEL sold its remaining 49% stake in Everbright Securities (International) Limited to Everbright Securities Financial Holdings Limited for a consideration of HK$930 million, demonstrating its determination to focus its resources on developing cross-border asset management business.

OVERVIEW OF THE FIRST HALF OF 2016

Major Events in the First Half of 2016 (continued)

In addition, some post-balance sheet events that correspond with the Group's effort to allocate and focus its resources on developing its core business:

1. Parent company, China Everbright Group, witnessed continuous improvement. "Fortune", an American business magazine announced its "Fortune Global 500" list of year 2016. China Everbright Limited's parent company, China Everbright Group's ranking has climbed to 313th following to its first time on the list last year, up 107 ranks compared to year 2015. It is the top 1 in ranking rise among Chinese financial enterprises, and the only one soared over 100 ranks among the global financial institutions.

2. On 12 July 2016, the Group was granted approval by the China Securities Regulatory Commission (CSRC) for a public offer of corporate bonds with an aggregate principal amount of not more than RMB12.8 billion to qualified domestic investors. Subsequently, the Group completed "the issue of the first tranche of corporate bonds under China Everbright Limited", raising RMB4 billion. This issue of onshore panda bonds marked the debut of CEL in China's onshore capital market and reflect its strategic objective of further broadening its financing channels and securing a platform for domestic and overseas fundraising. In addition to strengthening of our international corporate image, this strategy will also attract domestic investors, thereby enhancing CEL's recognition in the Chinese capital market and establishing positive market image and business credibility.

3. In July 2016, Everbright Securities Company Limited ("Everbright Securities"), an associate 29.16% owned by the Group, submitted its updated H-share prospectus to the Hong Kong Stock Exchange. After being granted approval by the CSRC for an offshore listing and attended hearings conducted by the Hong Kong Stock Exchange, the company successfully completed listing of its H-shares. And the company was listed for trading on 18 August. CEL is not involved in this H-share offer, and its stake in Everbright Securities was diluted from 29.16% to 24.84%.

OVERVIEW OF THE FIRST HALF OF 2016

Operating Results

As at 30 June 2016, CEL posted an operating income of HK$1.02 billion, representing a decrease of 12.8% over the same period last year. Profit attributable to equity shareholders declined by 56.3% to HK$1.41 billion. Earnings per share was HK$0.837, down 56.3%. The Group's after-tax profit from the Investment and Asset Management Business was HK$570 million, down 34.5% compared to the same period last year. The Group's share of profits from Everbright Securities amounted to HK$520 million, down by 74.4%. China Everbright Bank contributed a dividend income after tax of HK$320 million, down 3.0% compared to the first half of 2015.

Profit of major business segments	First half of 2016 (HK$100 million)	First half of 2015 (HK$100 million)	Change
Investment and asset management business	5.7	8.7	-34.5%
Share of profit from Everbright Securities	5.2	20.3	-74.4%
Dividend income contributed by China Everbright Bank (after tax)	3.2	3.3	-3.0%

In the first half of 2016, the amount of equity attributable to CEL's equity shareholders, decreased by 6.6% to HK$36.8 billion compared with 31 December 2015 due to relatively complicated and volatile market conditions. Affected by the price volatile of the Group's holding in Focus Media, CECEP Wind-power Corporation and some other post-investment projects. The Group's equity in its investment and asset management businesses was HK$16.6 billion, down 3.5%. The Group's share of equity from Everbright Securities amounted to HK$13.2 billion, down 7.0%. China Everbright Bank contributed equity of HK$7 billion, down 12.5%.

OVERVIEW OF THE FIRST HALF OF 2016

Operating Results (continued)

Distribution of equity attributable to the Company's equity shareholders	First half of 2016 (HK$100 million)	End of 2015 (HK$100 million)	Change
Investment and asset management business	166	172	-3.5%
Everbright Securities	132	142	-7.0%
China Everbright Bank	70	80	-12.5%

In the first half of 2016, the capital market of Mainland China still crowded, and liquidity is relatively limited. The Group's investment income was not been fully reflected. During the reporting period, the Group's fund management business realised a pre-tax profit of HK$530 million, representing a decrease of 48.5% over the same period last year. Principal Investment Business realised a pre-tax profit of HK$10 million, down 98.3%. It was mainly due to the conservative impairment for the price fluctuations of The Group's position in two leading companies from the media and medical industries. The Group's total expenditure was HK$550 million, which was 12.7% lower than the same period last year. Total cost-to-income ratio was 25.6%, representing a drop of 1.4 percentage points. The Group also moderately adjusted up its gearing ratio to 38.8% compared to 33.8% as at 31 December 2015. (The Group's method of calculating gearing ratio is to divide interest-bearing debt by total equity.) The Company's liquidity was maintained at a comfortable level, and financial resources remained stable.

Statistics of CEL's investment and asset management businesses	First half of 2016 (HK$100 million)	First half of 2015 (HK$100 million)	Change
Pre-tax profit of fund management business	5.3	10.3	-48.5%
Pre-tax profit of principal investment business	0.1	5.8	-98.3%
Operating expenses	5.5	6.3	-12.7%
Total cost-to-income ratio	25.6%	27.0%	-1.4p.p.

1. Fund Management Business

The Group's fund management business includes Primary Market Funds, Secondary Market Funds, Mezzanine Funds, Multi-strategy Alternative Investment Fund ("FoF Fund") and Everbright Prestige Capital Asset Management Company ("Everbright Prestige"), providing investors from Asia-Pacific, Europe and the US with diversified services. As at 30 June 2016, the Group's fund management business actively managed 33 funds (excluding non-actively managed funds raised through different channels for other external institutions). It had a total of 89 post-investment management projects, of which 16 were listed on various stock markets across the globe. The total fundraising amount was HK$67.8 billion, an increase of 38.4% over 31 December 2015, with external funds accounting for approximately 78%.

CORE BUSINESS – CROSS-BORDER INVESTMENT AND ASSET MANAGEMENT

1. Fund Management Business (continued)

Below are the funds under the Group's fund management business (as at 30 June 2016):

Fund business	Type of fund	Name of Fund	Year of launch	Investment focus	Total fundraising amount
Primary market funds	Private equity funds	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, servicing & financial auxiliary	USD399 M
	Venture capital funds	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
	Sector focus funds	Everbright Ashmore China Real Estate Fund (USD)	2009	China real estate	USD140 M
		Everbright Ashmore China Real Estate Fund (RMB)	2009	China real estate	RMB15.6 B
		Everbright Hero Fund	2014	Ying Li International Real Estate	USD120 M
		Everbright Medical and Healthcare Fund I	2012	Healthcare industry	RMB600 M
		Everbright Medical and Healthcare Fund II	2015	Healthcare industry	RMB1 B
		Everbright Jiangsu New Energy (Low Carbon) Fund	2010	New materials, environmental protection & energy saving	RMB100 M
		Everbright Qingdao New Energy (Low Carbon) Fund	2013	New materials, environmental protection & energy saving	RMB650 M
		Shandong Hi-Speed Everbright Industrial Fund	2014	Municipal services, environmental protection, clean energy	RMB1.8 B
		CEL Catalyst China Israel Fund	2014	Innovative Israeli enterprise	USD156 M
		CEL Global Investment Fund	2016	China related economic transformation and sustainable development opportunities	USD260 M
		IDG – Everbright M&A Investment Fund	2016	Sector or sub-industry leaders with sophisticated business models and higher valuations	RMB10 B
Secondary market funds	Equity funds		2012	Equity investments	HKD4.07 B equivalent
	Fixed-income funds		2012	Fixed-income investments	HKD2.33 B equivalent
	PIPE and New Third Board Market fund		2015	PIPE and New Third Board opportunities	HKD0.25 B equivalent
Mezzanine funds	Onshore Mezzanine Fund		2012	Onshore mezzanine financing	RMB800 M
Everbright Prestige	Fundraising for CEL's actively managed products		2014	Asset management for onshore clients	RMB7.1 B
FoF Fund	Multi-strategy alternative investment fund		2015	Leading private equity funds	RMB5 B
Total					**HKD67.8 B equivalent**

1. Fund Management Business (continued)

During the reporting period, income from the fund management business was HK$760 million, down 32.7%. Of the total income, fund management and performance fees accounted for HK$80 million, representing an increase of 14.3% over the same period last year. Interest income from the provision of structured financing products for clients was HK$50 million, representing an increase of 66.7% compared to the first half of 2015. In terms of investment returns, the Group recorded an unrealised loss of HK$400 million, and its realised capital gain decreased by 45.5% to HK$660 million.

Income from fund management business (Classified by nature of income)	First half of 2016 (HK$100 million)	First half of 2015 (HK$100 million)	Change
Fund management and performance fees	0.8	0.7	14.3%
Consultancy and arrangement fees	0.8	0.3	166.7%
Interest income	0.5	0.3	66.7%
Dividend income	3.0	0.5	500%
Capital gain (realised)	6.6	12.1	-45.5%
Capital loss (unrealised)	(4.0)	(2.5)	-60.0%

1. Fund Management Business (continued)

The Group recorded a pre-tax profit of HK$530 million from the fund management business, representing a decrease of 48.5%. In terms of the contributions of various fund segments, Primary Market Funds recorded a pre-tax profit of HK$510 million, down 37.8% over the same period last year. Secondary Market Funds posted a pre-tax profit of HK$10 million down by 94.4%. Mezzanine Funds has completed investment for its first phase fundraising, and is progressing for a new round of fundraising. CEL's share of profit from Everbright Prestige remained at around HK$10 million.

Pre-tax profit from fund management business (By business segment)	First half of 2016 (HK$100 million)	First half of 2015 (HK$100 million)	Change
Primary Market Funds	5.1	8.2	-37.8%
Secondary Market Funds	0.1	1.8	-94.4%
Mezzanine Funds	0.03	0.17	-82.4%
Everbright Prestige	0.05	0.12	-58.3%

1. Fund Management Business (continued)

1. Primary Market Funds

Primary Market Funds, which mainly comprise Private Equity Funds, Venture Capital Funds, Sector Focus Funds and Overseas Mergers & Acquisitions (M&A) Funds, remain the Group's most established business segment. As at 30 June 2016, Primary Market Funds raised a total of HK$45.9 billion, managed 81 post-investment projects and recorded a pre-tax profit of HK$510 million, down 37.8% over the same period last year.

On 7 January 2016, the CSRC issued "Several Provisions on Shareholding Reduction by Principal Shareholders, Directors, Supervisors and Senior Executives of Listed Companies". CEL has strictly followed these guidelines to reinitiate the procedures for exiting from certain investment projects in a lawful, transparent and orderly manner. With fairly limited liquidity, CEL completely divested from 3 mature projects and partially divested from 3 relatively mature projects. CEL also completed investments in 19 new projects at comparatively appropriate levels of valuation through active planning efforts.

(1) Private Equity Funds (China Special Opportunities Funds)

As at 30 June 2016, the Group's three China Special Opportunities Funds managed a total of 21 post-investment projects and had moved them into the exit stage. Currently, the Special Opportunities Fund series holds some number of shares and convertible bonds of listed companies that have matured beyond their respective lock-up periods. The team will choose an opportune time to dispose of these available-for-sale securities and realise greater capital gains for CEL. Meanwhile, yet-to-be-listed companies under incubation are receiving good operational care, with investees such as China UMS maintaining steady business growth.

1. Fund Management Business (continued)

1. Primary Market Funds (continued)

(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 and are now in the post-investment management stage. As at 30 June 2016, 3 of the 18 Venture Capital Funds investee projects had launched an IPO (CECEP Wind-power, on the main board of the Shanghai Stock Exchange; and Hanbang Gaoke and Shenzhen Jiawei Photovoltaic Lighting, both on the Shenzhen Stock Exchange's Growth Enterprise Market); 8 projects had been listed on the New Third Board market; and 7 projects had been totally divested.

In the first half of 2016, the Venture Capital team – acting in strict accordance with relevant CSRC guidelines – reinitiated the procedures for exiting from some of its investments in a lawful, transparent and orderly manner, reducing its stake in all Hanbang Gaoke shares and achieving investment returns of over 20 times. At the same time, the Group has also partially divested its shares in CECEP Wind-power and achieved relatively positive investment returns. After the CSRC officially announced the "Measures on Hierarchical Management of Listed Companies in the National Equities Exchange and Quotations (Trial)" on 27 May 2016, Venture Capital Funds' Surpass Sun and Yonder Environment were selected for inclusion innovation segment, laying a solid foundation for future exits.

1. Fund Management Business (continued)

1. Primary Market Funds (continued)

(2) Venture Capital Funds (continued)

In the second half of 2016, the Venture Capital Funds team will continue to promote a new phase of fundraising. Currently, the fund management team is involved in in-depth communications with several potential fund investors, building on the team's successful investment experience and strategies. The team continues to invest in manpower at the project development level, focusing on energy efficiency and environmental protection, new energy, new materials, smart manufacturing and artificial intelligence industries. There is also a pipeline of high-quality projects that has been examined and put in place.

(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 five specific sectors: real estate, infrastructure, healthcare, new energy, and overseas M&A funds.

- Real Estate Funds

  As the Group's largest Sector Focus Fund, Everbright Ashmore Real Estate Fund ("EBA Investments") again ranked first in the 'Top Ten in Terms of Comprehensive Strength Among the China Real Estate Funds' on 31 March 2016, based on rankings jointly compiled by the Enterprise Research Institute under the Development Research Centre of the State Council, Tsinghua University's Institute of Real Estate Studies and the China Index Academy. The accolade signifies EBA Investments' leadership among Chinese real estate private equity funds.

1. Fund Management Business (continued)

1. Primary Market Funds (continued)

(3) Sector Focus Funds (continued)

- Real Estate Funds (continued)

  Currently, EBA Investments manages a USD fund that focuses on equity investment and RMB funds that apply multiple investment strategies. As at 30 June 2016, the 2 projects held by the USD fund – Shanghai IMIX Park and a residential project in Xuzhou – were under satisfactory post-investment management. The RMB funds saw steady growth, and AUM reached RMB15.6 billion. Of the funds under management, approximately 89.9% were raised externally. Currently, projects lie mainly in the core districts of tier 1 cities such as Beijing, Shanghai and Chongqing. Among these, a total of 5 shopping mall projects – best represented by the "IMIX" brand – are under management, covering a total area of approximately 469,700 sqm. This is in addition to a total of 2 active development projects under management with a total area of approximately 786,500 sqm, best represented by "New Beijing Center" in Tongzhou, Beijing.

  In the first half of 2016, the real estate market rebounded under the government's relatively accommodative monetary policy, but regional discrepancies remain prominent. The future growth of the real estate industry must be supported by more robust transformation and enhancement in order to create an optimum environment for development, one backed by consensus on the need for a strategic shift from singular to diversified developments and from an asset-heavy to light asset model. By adopting an asset-light model, the EBA Investments team has strategically invested more resources in the core districts of tier 1 cities and strengthened its efforts in the acquisition and active management of commercial assets. At the same time, EBA Investments has gradually opened up the entire process of real estate asset securitisation. By leveraging the high premium commanded by the IMIX Park brand, the team now provides chartering and contract management services for major shopping malls to expand their brand impact and generate more revenue.

1. Fund Management Business (continued)

1. Primary Market Funds (continued)

(3) Sector Focus Funds (continued)

- Healthcare Fund

  In the first half of 2016, there was no shortage of hot topics in China's healthcare sector. The Wei Zexi incident and other widely publicised healthcare-related cases sparked concern across the country. At the same time numerous healthcare policies were released, further fuelling public discussion about healthcare in China. The government announced determined efforts to change the current practice, where hospital operations are funded by income from medication and medical equipment, by promoting a new policy that requires hospitals to be funded by revenues generated through medical services. The policy also advocates benefits for the underprivileged. Through this new approach, the government hopes to restore the true value of doctors and healthcare services.

  Against this background, Everbright Healthcare Fund mainly focuses on healthcare opportunities with long-term potential and both economic and social significance, which includes: 1. hospital resources, focusing on hospitals with brand quality, access to medical insurance, physician resources and marketing capabilities; 2. opportunities brought about by third-party specialist care under the new triage system; 3. effective early screening techniques for terminal illnesses; 4. precision techniques related to medical treatment and immunotherapy; and 5. high-performing medical equipment.

1. Fund Management Business (continued)

1. Primary Market Funds (continued)

(3) Sector Focus Funds (continued)

- Healthcare Fund (continued)
  As at 30 June 2016, the Everbright healthcare team managed two healthcare funds. It had invested in 10 leading healthcare providers in China and overseas, across the hospital, pharmaceutical, healthcare services and biotech sectors. Of these investees, 4 were prepared to enter the filing stage. In the first half of 2016, Betta Pharmaceuticals and Kunming Jida completed updating their respective IPO prospectuses, with active preparations underway to access the capital market.

  In the second half of 2016, the fundraising exercise for Everbright Medical and Healthcare Fund III will be fully launched, following the fulfilment of investing approximately 95% of Everbright Medical and Healthcare Fund II's committed capital and the build-up of a number of potential quality projects during its operation. The new fund will selectively invest in world-leading enterprises capable of generating synergistic benefits with healthcare companies across Greater China and overseas, while continuing to build on CEL's investment strategy in healthcare and life sciences.

- Infrastructure Fund
  CEL partnered with Shandong Hi-Speed Group in 2014, completing the first closing of Shandong Hi-Speed Everbright Industrial Fund after successfully raising RMB1.8 billion. Through this fund, CEL focuses on the changes and developments brought about by the new type of urbanisation in mainland China, concentrating on investment opportunities generated by industry upgrades in areas such as municipal services, environmental protection and clean energy.

1. Fund Management Business (continued)

1. Primary Market Funds (continued)

(3) Sector Focus Funds (continued)

- Infrastructure Fund (continued)
  During the reporting period, the investment team completed investment in one new project, and holding 5 post-investment projects. The infrastructure team adopted an innovative approach to incubate its own projects and successfully balanced the acquisition of quality assets with risk control and asset price. Stepping in as a shareholder in the early stages, the team gradually brought its projects to maturity through the incubation process by drawing on the financial strength of the fund and the business capacity of the team, as well as the project resources and development capabilities of its partners.

- New Energy Funds
  CEL currently manages two 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. Everbright Jiangsu New Energy (Low Carbon) Fund has completed its investments, and Everbright Qingdao New Energy (Low Carbon) Fund is still in its investment period.

1. Fund Management Business (continued)

1. Primary Market Funds (continued)

(3) Sector Focus Funds (continued)

- New Energy Funds (continued)
  As at 30 June 2016, the new energy fund management team hold 10 post-investment projects. Among them, Turbine Seal High-Technology and Zhizhen Intelligence were listed on the New Third Board market in January 2015 and December 2015 respectively, and Jiangyin Hengrun Heavy Industries Co., Ltd. filed an IPO application in November 2015. During the reporting period, the management team added 1 new investment project, and plans to help its three other projects, Tektronix Environmental Protection, Qingdao iTechene Technologies and Yuanchen Environmental Protection, tap into the capital market.

- Overseas Mergers and Acquisitions Fund
  In the first half of 2016, Chinese enterprises stepped up their M&A efforts in overseas markets. According to the Ministry of Commerce, Chinese domestic investors made a total of RMB580.28 billion (equivalent to US$88.86 billion, representing an increase of 58.7% year on year) in non-financial direct investments in 4,797 overseas enterprises across 155 countries and regions around the globe. With a massive domestic market, China will be able to significantly enhance the value of the country's individual enterprises and industries by connecting them with global resources through overseas M&As, followed by effective integration and restructuring.

  CEL's first overseas M&A fund, CEL Catalyst China Israel Fund ("China Israel Fund"), targets Israel not only for the country's geopolitically excellent investment environment, but also because the Israeli community has a world-leading status for innovation. During the reporting period, China Israel Fund added 1 new investment project. It currently manages 2 post-investment projects.

1. Fund Management Business (continued)

1. Primary Market Funds (continued)

(3) Sector Focus Funds (continued)

- Overseas Mergers and Acquisitions Fund (continued)

  At the same time, CEL set up the CEL Global Investment Fund, L.P. (CEL Global Investment Fund), and the fund management team is actively carrying out fund-raising. During the reporting period, CEL Global Investment Fund helped Burke E. Porter Machinery Company ("BEP"), a major developer of testing systems, expanded and improved its product offerings and business mix through strategic acquisitions, building a stronger global presence and service capabilities in balancing systems and powertrain systems. Also, the project invested in 2015 by CEL – Lapmaster Group Holdings, LLC ("Lapmaster") who focus on precision surfacing with abrasive media, maintained a good momentum of development.

- IDG-Everbright M&A Investment Fund ("Mega Fund")

  On 29 June 2016, CEL and IDG Capital Partners jointly set up IDG-Everbright M&A Investment Fund ("Mega Fund"), an industrial investment fund with a total subscription amount of no less than RMB20 billion. During the reporting period, both companies have officially signed the Limited Partnership Agreement and completed the first round of fund raising amounting to RMB10 billion, of which CEL has committed RMB2 billion to the principal investment capital and other institutional investors contributed the remaining RMB8 Billion. A core investment team drawing on the competitive strengths of CEL and IDG Capital Partners will be formed to jointly promote fund investments.

1. Fund Management Business (continued)

1. Primary Market Funds (continued)

(3) Sector Focus Funds (continued)

- IDG-Everbright M&A Investment Fund ("Mega Fund") (continued)

  The Fund will capitalise on its integrated capabilities in investment, investment banking, capital operation and asset management to help large, mature, quality enterprises at home and abroad gain access to the capital market, finance their expansions, and share with investors the opportunities created by the Chinese economy's steady growth and the healthy development of capital markets.

  The Fund is different from venture capital funds focusing on early-stage projects, or private equity funds focusing on enterprises in their growth periods; instead, it will target sector or sub-industry leaders with sophisticated business models and higher valuations, or listed companies with hidden potential to become market leaders. Based on incisive insights into policy direction, regulatory rules and market trends, Mega Fund will explore and adopt a diversified approach to investment and deal-making in a normative and innovative manner. Mega Fund currently maintains a pipeline of more than 20 large-scale projects across China, Germany and United States.

1. Fund Management Business (continued)

2. Secondary Market

As of 30 June 2016, Secondary Market comprises of three business segments – Equity Funds, Fixed Income Funds, and PIPE and New Third Board Market Fund – which managed a total of 15 funds and managed accounts with AUM of HK$6.3 billion, up 2.3% from the same period last year. In addition, HK$3.1 billion in funds raised by Everbright Prestige were also managed by the Secondary Market's team as a sub-advisor. During the reporting period, Secondary Market funds and managed account generated HK$32 million income from asset management and performance fees.

1. Equity Funds

In the first half of 2016, in the background of relatively complicated market conditions with increased fluctuations in major stock indicies, the equity investment team pursued an active asset allocation strategy with sound risk management measures that effectively mitigated the impact of market fluctuations on investment returns, achieving positive investment results. The flagship products, Everbright China Focus Fund, recorded a net absolute return after fees of 6.3%, far outperforming the -15.5% loss recorded by the Shanghai Shenzhen CSI 300 Index for A-shares over the same period.

Due to its outstanding performance in the year 2015, Everbright China Focus Fund ranked No. 1 among Asian hedge funds in net performance by leading hedge fund research and rating firm BarclayHedge, and awarded "Best Asian Long Only Absolute Return Fund" by EurekaHedge. The fund continues to outperform its peers in the Greater China Long only absolute return strategy in the 1st half of 2016.

Currently, CEL's Equity Segment comprises of Everbright China Focus Fund, Everbright Global Event Arbitrage Fund, Everbright Dynamic Alpha Fund and a number of managed accounts. In the second half of 2016, equity investment team will make timely adjustments to its fund investment and fundraising strategies in response to market changes, while focusing on improving the performance of the funds.

1. Fund Management Business (continued)

2. Secondary Market (continued)

2. Fixed Income Funds

In the first half of 2016, Fixed Income funds achieved greater performances across the board. As of June end, the team manages 6 funds and managed accounts, including Everbright Dynamic Bond Feeder Fund that returned 3.5% net of fees for its senior tranche, 4.3% net for its flat tranche and 15.0% net for its subordinate tranche.

In terms of AUM, the total size of assets managed by Fixed Income Team grew by 59% from 2015 year end to HK$2.4 billion (excluding the HK$3.1 billion raised by Everbright Prestige and sub-advised by Fixed Income Team). Everbright Dynamic Bond Fund, especially, grew by 63% to USD180 million, to become the Group's largest open-ended fund. Fund size continues to grow and is over USD200 million as of August 2016.

In the second half of 2016, the fixed income team will focus on setting up actively managed funds and large managed accounts, maintaining and expanding its current client base, and conducting research into the feasibility of developing new products.

3. PIPE and New Third Board Market Business

PIPE and New Third Board Market Business is a new segment launched by the Group in 2015. In the first half of 2016, the PIPE team identified and followed up with a number of potential projects after a period of careful research and study in accordance with an investment strategy formulated early this year that emphasizes the importance of observation and circumspection. The RMB210 million New Third Board Fund focuses on emerging industries and targets quality enterprises that are listed or plan to be listed on the New Third Board market. During the reporting period, CEL's New Third Board Fund finished investments in one project. The team will remain focused on high-growth enterprises in strategic emerging industries and modern service sectors.

In the second half of 2016, the PIPE and New Third Board Market investment team will continue its cross-market search for structural investment opportunities that is in line with CEL's overall strategy of increasing foreign currency asset allocations. The team will continue to explore quality overseas asset targets and opportunities of partnering with A-share and H-share companies as industry investors in corresponding sectors.

1. Fund Management Business (continued)

3. Mezzanine Funds

One of China's first investment managers dedicated to mezzanine investment, the Group's RMB Mezzanine Fund team differentiates itself with its proactive portfolio management capabilities aimed at generating superior PE-type return at a manageable level of risk. The RMB Mezzanine Fund mainly targets established companies with superior operational capabilities and solid growth potential in the Greater China region, or overseas enterprises not principally operating in Greater China but which derive substantial synergies from the Mainland. By taking into full account the characteristics of investees' industries as well as their own unique capabilities and core aspirations, the RMB Mezzanine Fund provides customised, one-stop structured investment and financing solutions to meet capital and development needs. The fund favours investment tools including a combination of debt and equity strategies or, alternatively, pure equity or pure debt instruments.

As at 30 June 2016, CEL's RMB Mezzanine Fund has been fully committed. Its total investment amount has reached RMB850 million (including the committed amount). During the reporting period, the fund generated a pre-tax profit of HK$3 million, down 82.4% compared with the same period last year. With the growing demand for cross-border investment and financing, as well as structured investment opportunities arising from China's slowing economic growth, the team has built a strong pipeline of potential investment projects. It has also officially kick-started fundraising for its RMB Fund II and USD Fund I.

1. Fund Management Business (continued)

4. Everbright Prestige

In May 2016, the CSRC revised and developed the exposure drafts on <Administrative Provisions for Subsidiaries of Fund Companies in Securities Investment> and <Guidelines on Risk Control Indicators for Fund Management Companies Setting up Subsidiaries for Specific Customer Asset Management Services>, with the objective of strengthening regulation, controlling risks, supporting quality players and eliminating inferior ones, and promoting compliant operations. The uniqueness of Everbright Prestige lies in its focus on active fund management supported by its 'channel projects'. As a result, Everbright Prestige is well placed to comply with the CSRC's relevant regulatory requirements and uphold operational integrity. It also enables Everbright Prestige to seamlessly link its diversified primary and secondary market product lines and offer, as a one-stop financial service provider, tailored solutions for increasingly diverse customer demands.

The Asset Management Association of China announced the value of separately managed accounts (SMA) at asset management companies as at 30 June 2016. The value of SMA at Everbright Prestige totalled RMB79.8 billion, up 77.76% year on year. Of this value, Everbright Prestige raised RMB10.4 billion for CEL's actively managed products, compared with RMB69.4 billion raised for products not directly managed by CEL. Everbright Prestige is gradually becoming the Group's hub for domestic financing and overseas asset management. During the reporting period, the Group's share of Everbright Prestige's profit was HK$5 million based on the equity accounting method.

1. Fund Management Business (continued)

5. Multi-strategy Alternative Investment Fund (FoF Fund)

FoF Fund, CEL's first multi-strategy alternative investment fund, can help diversify institutional investors' portfolios and alleviate the impact of market volatilities. With the FoF Fund, CEL has shown it can provide one-stop financial services that offer both liquidity and potential returns for giant institutional funds in China. It can also rebalance the proportion of its seed capital in various funds, and take part in the operation of external funds with excellent track records to further develop and improve CEL's product lines.

As at 30 June 2016, FoF Fund had cumulatively invested in 2 fund projects. The FoF Fund management team explores the open market for investment opportunities with quality funds to provide a diversified choice of options. It has already reached clear understanding for investment with a number of leading industry funds in China. FoF Fund is also working towards the second closing, with the following tranche of RMB5 billion in funding in 2016.

2. Principal Investment

CEL is committed to cross-border fund management, and the Group has optimised the use of its own capital through investment methods including equity, bonds and derivatives in support of its fund management business. Its principal investment business adheres to the following philosophy:

(I) CEL's invests well-proportioned seed capital to support investment teams at the growth stage and to incubate quality private equity products.

(II) CEL strives to create positive synergies between its fund management and capital operations, directly investing or co-investing in projects with competitive edges in their industries.

(III) By using reasonable equity investments, CEL aims to participate in and nurture financial institutions that have the potential for long-term development, provide good return on investment and offer business synergies with the Group's fund management business. CEL also seeks to consolidate and improve its operational capabilities to raise its overall income level. China Aircraft Leasing Group Holdings Limited ("CALC") is an important example of this philosophy. During the reporting period CEL invested in Haiyin Fund, Huichen Nursing Home, Circle and other industry leaders in order to speed up its entry into the fields of internet intelligence, care for the elderly, block-chain finance and more.

(IV) Everbright aims to enhance its capital efficiency and improve cash flows through a treasury or wealth management model.

As at 30 June 2016, CEL's principal investment business was valued at HK$13.1 billion. In the first half of 2016, the Group achieved pre-tax profit of HK$10 million, representing a decrease of 98.3% over the same period last year. Interest income reached HK$80 million, down 68% compared with the first half of 2015; dividend income decreased 50% year on year to HK$40 million; and realised capital gain amounted to HK$0.18 billion, down 10%.

2. Principal Investment (continued)

Income of principal investment	In the first half of 2016 (HK$100 million)	In the first half of 2015 (HK$100 million)	Change
Interest income	0.8	2.5	-68.0%
Dividend income	0.4	0.8	-50.0%
Capital gain (realised)	1.8	2.0	-10.0%
Capital gain (unrealised)	0.03	1.4	-97.9%
Share of CALC's after-tax profit	0.8	0.4	100.0%

1. Aircraft Leasing

2016 will be a banner year for CALC. In the first half of 2016, CALC's profit growth over 100%, mainly from increase in aircraft leasing, and a number of aircraft lease receivables securitization. In addition to continuing to implement the business strategy – 'Providing a full value-chain aircraft solution' and 'globalization', CALC is also now actively looking for a variety of financing options, develop diversified financing channels.

(1) Implementing a globalisation strategy

In the first half of 2016, CALC delivered two new Airbus A320 aircraft to Turkey's Pegasus Airline. In addition, CALC also signed a lease agreement with ANA Holdings for an Airbus A320 Aircraft, which will be subleased to its low cost regional subsidiary Vanilla Air. The transactions underscore recognitions for CALC's aircraft leasing and financing solutions in the global market. Dated June 2016, CALC has delivered 11 aircrafts to overseas airlines.

2. Principal Investment (continued)

1. Aircraft Leasing (continued)

(2) Providing a full value-chain aircraft solution

CALC is involved in the entire aircraft lifecycle chain. To facilitate this, CALC commenced construction work on an aircraft disassembly project. With the accomplishment of equity restructuring of this project, the construction will take speed, and it is expected that the project will start operation in early 2017.

(3) Diversified financing channels

CALC is actively looking for a variety of financing options in the first half of 2016, which increased liquidity, enhance flexibility and built a solid foundation for further development. Launches USD300 million Unsecured Bonds, signed a syndicated loan facility with a consortium of 6 financial institutions, closed its first Japanese Operating Lease with a Call Option financing, Rental Realisation Transaction for 4 Aircraft. These measures helped CALC to further optimise the financial structure and laid the foundation for the CALC's development.

3. Strategic Investment

1. Everbright Securities

The securities market in mainland China was highly volatile over the first half of 2016, with SSEI registering a 17.22% decline. In response, Everbright Securities – an associated company in which the Group has a 29.16% stake – placed special emphasis on improving risk management, strengthening internal controls and building systems to ensure compliant, sound, stable operations. According to the "Results of Securities Company Classification in 2016" issued by the CSRC on 15 July 2016, Everbright Securities was upgraded from Grade A Class A to Grade A Class AA, making it one of the only eight securities companies rated AA in China. The upgrade reflects the regulatory authority's recognition of Everbright Securities' standard of compliance management and risk control.

Based on the Hong Kong Accounting Standards, the Group's share of Everbright Securities' profit was HK$520 million in the first half of 2016, down 74.4% compared with the same period last year. As at 30 June 2016, the open market value of equity in Everbright Securities held by the Group was HK$22.8 billion.

In another development, on 29 June 2016 CEL sold its remaining 49% equity in Everbright Securities (International) Limited to Everbright Securities Financial Holdings Limited for a consideration of HK$930 million. The transaction demonstrated CEL's determination to focus its resources on developing cross-border asset management operations.

2. Everbright Bank

As at 30 June 2016, the Group held 1.57 billion shares of China Everbright Bank Company Limited ("China Everbright Bank"), which accounts for approximately 3.37% of China Everbright Bank's A shares. The Group received an after-tax dividend payment of HK$320 million from China Everbright Bank during the reporting period, down 3% from the same period in 2015. The fair value of equity in China Everbright Bank held by the Group was HK$7.0 billion as at 30 June 2016.

OUTLOOK

Outlook of Macroeconomics

2016, the “New Normal” has topped the agenda for the global economy. Global low interest rates and negative interest rates have become a common phenomenon. Major economies like Europe and Japan are expected to remain in this “New Normal” for a prolonged period. On the Quantitative Easing (QE) front, the global monetary QE gradually comes to an end, while the fiscal QE becomes increasingly popular. Meanwhile, the sentiment of risk aversion has reached a new height on the back of intensifying geopolitical crisis.

For the second half of 2016, the US economy is expected to grow moderately, with the expectation for Interest rate hike weakened. Europe may witness a slow growth. Brexit will further weaken the strength of the EU, and may intensify regional or even global political turmoil. The prospect of the Japanese economy remains gloomy. Significant improvement is yet to be seen.

China’s economic challenges will remain in the short run. It is expected that the Central Government will maintain “steady growth” policy in the near term. And the Central Government will take stonger measures to expand effective demand, creating favourable conditions for structural economic reforms and nurturing of new growth engines. Against this background, “Removing excessive industrial capacity, destocking, de-leveraging, lowering corporate costs, improving weak linkages” needed by the supply-side structural reforms may make Chinese economy to maintain “L-shaped” development trend for a while, and the economy is still facing major challenges.

OUTLOOK

Our Strategy

CEL will actively, calmly deal with complex external environment. On the one hand, concerns about the economic downturn still present in many industries; on the other hand, the supply-side reform brings a "new economy" investment opportunities. Under such circumstance, CEL will not only focus on capturing opportunities, but also pay close attention to risk management. CEL will focus on the following areas:

1. Pay close attention to cooperation opportunities in the form of FoF Funds and the large-scale industry Fund. Over the past decade, CEL built a solid fundamental in PE/VC industry. CEL has shown it can provide one-stop financial services that offer both liquidity and potential returns for giant institutional funds in China. Based on the track record, CEL will seek more opportunities to cooperate with external institutions, and participate in some new industries.

2. Be disciplined to CEL's strategy, and further develop solid fund management business. CEL now has mature management teams in several areas, such as the real estate industry, healthcare industry, machinery manufacturing industry and infrastructure construction industry. Through a common development, CEL will continue to incubate high quality and solid actively managed funds sector, expanding the size of the fund management business.

3. Deploying its principal funds and deeply engaging into industries. In CEL's model, financial and industrial development is interdependent and cannot be out of line. CEL will keep focusing on the opportunities of industries with high potential, not only provided professional investment, but also promoting industrial development by upgrading new momentum through professional management.

4. Pay high attention to risk control. When carrying out investment and management, CEL will keep close attention to market risk, investment risk, operational risk and liquidity risk. Especially in the circumstance of economic downturn, these risk factors should be always alarmed.

Contingent Liabilities

As at 30 June 2016, the Company had issued financial guarantees to subsidiaries. The Board does not consider it is probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 30 June 2016 for the provision of the guarantees related to the facilities drawn down by the subsidiaries was HK$2,555 million.

DISCLOSURE OF INTERESTS

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

As at 30 June 2016, 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%
Chung Shui Ming, Timpson	50,000	50,000	–	–	0.00%

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	500,000	500,000	–	–	0.01%

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

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

DISCLOSURE OF INTERESTS

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

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

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

Name of directors	Capacity/nature of interest	Number of underlying shares held	Approximately % of issued shares
Chen Shuang	beneficial owner	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 directors of CALC pursuant to its Post-IPO Share Option Scheme.

Save as disclosed herein, as at 30 June 2016, 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 2016 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.

DISCLOSURE OF INTERESTS

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 2016 amounting to 5% or more of the ordinary shares in issue:

Long Position

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

Notes:

(1) Huijin Limited 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 2016, the Company had not been notified of any other interest by prescribed notice which were recorded in the register required to be kept under section 336 of the SFO.

Employees

As at 30 June 2016, the Group had 318 employees. Total staff costs for the period under review amounted to approximately HK$200 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 2016 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 18 May 2016. 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 2016.

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, risk management, internal control and financial reporting matters, including the review of the unaudited interim financial report of the Group for the six months ended 30 June 2016.

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

On 6 November 2013, the Company entered into a facility letter pursuant to which an independent third party bank agreed to grant 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 China Everbright Holdings Company Limited ("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.

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.

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

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.

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

OTHER INFORMATION

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

On 16 December 2015, the Company as borrower entered into a facility agreement with an independent third party bank as lender for a term loan of up to US$80 million (or in equivalent Hong Kong dollars) for a period of 36 months from the date of the said facility agreement. Under the said facility agreement, it will be an event of default if CEHCL (i) ceases to beneficially own, directly or indirectly, at least 40% of the total issued share capital of the Company or (ii) ceases to be beneficially wholly-owned, directly or indirectly, by a state body of the People's Republic of China. Upon the occurrence of any of the above events, the facilities under the said facility agreement together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 18 December 2015, the Company as borrower entered into a supplemental facility letter with the lender named therein pursuant to which such lender will continue to provide a 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 2016. 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 together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 18 December 2015, the Company as borrower entered into a supplemental facility letter with the lender named therein pursuant to which such lender will continue to provide a committed revolving loan of up to US$220 million (or its equivalent in Hong Kong dollars or Renminbi) to the Company for a term up to 19 December 2016. 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 together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 18 December 2015, the Company as borrower entered into a supplemental facility letter with the lender named therein pursuant to which such lender will continue to provide a committed term loan of up to US$120 million (or its equivalent in Hong Kong dollars) to the Company for a term up to 30 March 2017. 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 together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

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

On 18 December 2015, the Company as borrower entered into a supplemental facility letter with the lender named therein pursuant to which such lender will continue to provide an uncommitted revolving loan of up to US$150 million (or its equivalent in Hong Kong dollars) to the Company for a term up to 30 March 2017. 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 together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

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

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

As at 30 June 2016, 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 2015 annual report are as follows:

Dr. Liu Jun, the Deputy Chairman of the Company, was appointed as the Non-executive Director of China Everbright Bank Company Limited (Stock Code: HK6818) on 25 August 2016.

Dr. Chung Shui Ming, Timpson, the Independent Non-executive director of the Company, resigned as the Independent Non-executive director of Henderson Land Development Company Limited (stock code: HK12) with effect from 2 June 2016.

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 2016 (2015: HK$0.25 per share) to those shareholders whose names appear on the register of members of the Company on 30 September 2016. Dividend cheques will be dispatched to shareholders of the Company on or about 14 October 2016.

Closure of Register of Members

The register of members of the Company will be closed from 27 September 2016 to 30 September 2016 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied with the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 26 September 2016.

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, 31 August 2016