



READY FOR THE RIGHT MOMENT

Interim Report 2013
Stock Code : 165

Corporate Information

Board of Directors

Tang Shuangning	Chairman
Zang Qiutao	Deputy Chairman
Chen Shuang	Chief Executive Officer
Tang Chi Chun, Richard	Chief Financial Officer
Jiang Yuanzhi	Chief Investment Officer
Wang Weimin [#]	
Seto Gin Chung, John [*]	
Lin Zhijun [*]	
Chung Shui Ming, Timpson [*]	
Ng Ming Wah, Charles [*]	
(retired on 15 May 2013)	

[#] Non-executive Director

^{*} Independent Non-executive Directors

Company Secretary

Chan Ming Kin, Desmond

Registered Office

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

Principal Bankers

China Everbright Bank Company Limited
Industrial and Commercial Bank of
China (Asia) Limited
Shanghai Pudong Development Bank
Company, Limited
The Bank of East Asia, Limited
Bank of Communications Company, Limited
Standard Chartered Bank
(Hong Kong) Limited

Legal Advisors

Paul, Hastings
Janofsky & Walker
Grandall Legal Group
(Shanghai) Office

Share Registrars

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Auditors

KPMG

Website Address

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Investor Relations Contact

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Stock Code

165

Interim Results

The Board of Directors of China Everbright Limited (the “Company”) announces the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2013. The interim financial report is unaudited, but has been reviewed by KPMG (the auditors of the Company) in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants, whose review report is included on pages 53 to 54. The interim financial report has also been reviewed by the Company’s Audit and Risk Management Committee.

Consolidated Income Statement

For the six months ended 30 June 2013

	Notes	1 January to 30 June 2013 HK\$'000	1 January to 30 June 2012 HK\$'000
Turnover	3	6,166,054	669,126
Operating income	3	595,682	532,716
Other net income	3	388,163	587,161
Staff costs		(124,198)	(131,289)
Depreciation expenses		(9,871)	(15,074)
Impairment loss on available-for-sale securities		(19,090)	(25,058)
Impairment loss on amount due from an investee company		(1,520)	(7,637)
Other operating expenses		(72,507)	(55,515)
Profit from operations		756,659	885,304
Finance costs		(47,781)	(42,532)
Share of profits less losses of associates, as per the associates' financial statements	8(b)	343,625	330,270
Share of profits less losses of jointly controlled entities, as per the jointly controlled entities' financial statements	9	22,744	39,823
Adjustments to share of profits less losses to conform with the Group's accounting policies	1	(83,421)	(189,967)
Profit before taxation		991,826	1,022,898
Income tax	4	(28,435)	(135,573)
Profit for the period		963,391	887,325
Profit attributable to equity shareholders of the Company		736,598	766,555
Non-controlling interests		226,793	120,770
Profit for the period		963,391	887,325
Basic and diluted earnings per share	7	HK\$0.428	HK\$0.446

The notes on pages 11 to 52 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company attributable to the period are set out in note 5.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	Notes	1 January to 30 June 2013 HK\$'000	1 January to 30 June 2012 HK\$'000
Profit for the period		963,391	887,325
Other comprehensive income for the period (after tax and reclassification adjustments):			
Items that will not be reclassified subsequently to income statement			
– Share of other comprehensive income of a jointly controlled entity, as per the jointly controlled entity's financial statements		277	410
Items that may be reclassified subsequently to income statement			
– Net movement in investment revaluation reserve of available-for-sale securities	6	(73,446)	(304,753)
– Share of other comprehensive income of associates, as per the associates' financial statements		56,886	146,894
– Adjustments to share of other comprehensive income of associates to conform with the Group's accounting policies	1	105,327	129,569
– Exchange reserve		128,896	(38,024)
		217,940	(65,904)
Total comprehensive income for the period		1,181,331	821,421

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	1 January to 30 June 2013	1 January to 30 June 2012
	HK\$'000	HK\$'000
Attributable to:		
Equity shareholders of the Company	873,145	848,008
Non-controlling interests	308,186	(26,587)
Total comprehensive income for the period	1,181,331	821,421

The notes on pages 11 to 52 form part of this interim financial report.

Consolidated Balance Sheet

As at 30 June 2013

	Notes	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Non-current assets			
Fixed assets		577,265	576,624
Amounts due from investee companies		111,892	98,781
Investments in associates	8(a)	10,321,707	10,135,102
Investments in jointly controlled entities	9(a)	562,368	441,554
Available-for-sale securities	10	13,340,195	12,486,586
Financial assets designated at fair value through profit or loss	11	2,247,051	2,016,894
Advances to customers	12	–	1,133,900
		27,160,478	26,889,441
Current assets			
Advances to customers	12	960,710	1,323,876
Amount due from an investee company		18,989	18,660
Amount due from an associate	8(c)	132,680	–
Amounts due from jointly controlled entities	9(c)	14,299	4,236
Debtors, deposits and prepayments	13	868,564	553,221
Trading securities	14	1,631,329	803,844
Cash and cash equivalents		4,052,789	2,664,801
		7,679,360	5,368,638

Consolidated Balance Sheet

As at 30 June 2013

	Notes	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Current liabilities			
Amounts due to investee companies		(114,044)	–
Amount due to a jointly controlled entity		–	(5,756)
Amount due to an associate		–	(438)
Trading securities	14	(413,072)	(175,725)
Bank loans	15	–	(527,000)
Amount due to a fellow subsidiary and shareholder	16	(1,000,000)	–
Creditors, deposits received and accrued charges	17	(443,102)	(309,018)
Financial liabilities designated at fair value through profit or loss		(105,257)	(97,495)
Notes payable	18	(151,479)	(135,540)
Provision for taxation		(294,530)	(355,372)
		(2,521,484)	(1,606,344)
Net current assets		5,157,876	3,762,294
Total assets less current liabilities		32,318,354	30,651,735
Non-current liabilities			
Bank loans	15	(1,073,560)	(512,401)
Note payable	18	(20,000)	(20,000)
Deferred tax liabilities		(161,113)	(163,055)
		(1,254,673)	(695,456)
NET ASSETS		31,063,681	29,956,279

Consolidated Balance Sheet

As at 30 June 2013

	Notes	30 June 2013 HK\$'000	31 December 2012 HK\$'000
CAPITAL AND RESERVES			
Share capital	20	1,720,562	1,720,562
Reserves		27,006,501	26,391,440
Total equity attributable to equity shareholders of the Company			
		28,727,063	28,112,002
Non-controlling interests		2,336,618	1,844,277
TOTAL EQUITY			
		31,063,681	29,956,279

The notes on pages 11 to 52 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to equity shareholders of the Company										Non-controlling interests	Total equity	
	Note	Share capital	Share premium	Option reserve	Investment revaluation reserve	Capital redemption reserve	Goodwill reserve	Capital reserve	Exchange reserve	Retained earnings			Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			HK\$'000
As at 1 January 2013		1,720,562	7,890,967	688	5,769,065	6,568	(668,499)	182,900	1,689,274	11,520,477	28,112,002	1,844,277	29,956,279
Net investment by non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	184,155	184,155
Dividends paid	5(b)	-	-	-	-	-	-	-	(258,084)	(258,084)	-	-	(258,084)
Profit for the period		-	-	-	-	-	-	-	736,598	736,598	226,793	963,391	
Other comprehensive income for the period		-	-	277	(136,039)	-	-	-	272,309	-	136,547	81,393	217,940
As at 30 June 2013		1,720,562	7,890,967	965	5,633,026	6,568	(668,499)	182,900	1,961,583	11,998,991	28,727,063	2,336,618	31,063,681
As at 1 January 2012		1,720,562	7,890,967	131	4,707,938	6,568	(668,499)	182,900	1,540,417	11,084,353	26,465,337	1,807,391	28,272,728
Net investment by non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	(44,804)	(44,804)
Dividends paid	5(b)	-	-	-	-	-	-	-	(516,169)	(516,169)	-	-	(516,169)
Profit for the period		-	-	-	-	-	-	-	766,555	766,555	120,770	887,325	
Other comprehensive income for the period		-	-	410	175,616	-	-	-	(94,573)	-	81,453	(147,357)	(65,904)
As at 30 June 2012		1,720,562	7,890,967	541	4,883,554	6,568	(668,499)	182,900	1,445,844	11,334,739	26,797,176	1,736,000	28,533,176

The notes on pages 11 to 52 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2013

	1 January to 30 June 2013 HK\$'000	1 January to 30 June 2012 HK\$'000
Net cash inflow from operating activities	988,716	238,330
Net cash (outflow)/inflow from investing activities	(557,881)	96,489
Net cash inflow/(outflow) from financing activities	960,230	(1,484,932)
Net increase/(decrease) in cash and cash equivalents	1,391,065	(1,150,113)
Cash and cash equivalents		
Beginning of the period	2,401,106	3,642,079
Exchange rate adjustments	(3,754)	(3,812)
End of the period	3,788,417	2,488,154
Analysis of the balances of cash and cash equivalents		
Bank balance and cash – general accounts	4,052,789	3,037,780
Deposit pledged	(264,372)	(549,626)
End of the period	3,788,417	2,488,154

The notes on pages 11 to 52 form part of this interim financial report.

Notes to the Financial Report

1. BASIS OF PRESENTATION

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised by the Board for issuance on 29 August 2013.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for those described in note 2.

The adjustments made to the financial information of associates and jointly controlled entities to conform them to the Group’s accounting policies are disclosed separately in the consolidated income statement and consolidated statement of comprehensive income. Management believes that this presentation is more transparent and informative to users of the financial statements.

2. CHANGES IN ACCOUNTING POLICIES

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

Amendments to HKAS 1, *Presentation of financial statements: Presentation of items of other comprehensive income*

HKFRS 10, *Consolidated financial statements*

HKFRS 13, *Fair value measurement*

Amendments to HKFRS 7, *Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities*

Notes to the Financial Report

2. CHANGES IN ACCOUNTING POLICIES (continued)

The impacts of these developments are discussed below:

Amendments to HKAS 1, Presentation of financial statements: Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to income statement in the future if certain conditions are met separately from those that would never be reclassified to income statement. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 25. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Notes to the Financial Report

2. CHANGES IN ACCOUNTING POLICIES (continued)

The impacts of these developments are discussed below: (continued)

Amendments to HKFRS 7, Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32. The Group has provided those disclosures in note 24.

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

Notes to the Financial Report

3. TURNOVER, OPERATING INCOME AND OTHER NET INCOME

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

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

	1 January to 30 June 2013 HK\$'000	1 January to 30 June 2012 HK\$'000
Operating income		
Consultancy and management fee income	135,790	41,267
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	19,727	16,092
– advances to customers	153,866	125,286
– unlisted debt securities	7,061	24,051
– others	5,977	76
Dividend income		
– listed investments	169,960	323,505
– unlisted investments	101,920	1,409
Gross rental income from investment properties	1,381	1,030
	595,682	532,716

Notes to the Financial Report

3. TURNOVER, OPERATING INCOME AND OTHER NET INCOME (continued)

	1 January to 30 June 2013 HK\$'000	1 January to 30 June 2012 HK\$'000
Other net income		
Net realised gain/(loss) on trading securities		
– equity securities	20,593	2,283
– debt securities	(3,580)	(4,281)
– derivatives	14,733	(4,105)
	31,746	(6,103)
Net unrealised gain/(loss) on trading investments		
– equity securities	(1,727)	(911)
– debt securities	(29,700)	15,231
– derivatives	15,932	206
Net gain on disposal of available-for-sale securities	317,529	375,165
Unrealised gain on financial assets designated at fair value through profit or loss	44,500	200,396
Unrealised (loss)/gain on financial liabilities designated at fair value through profit or loss	(7,602)	14,573
Unrealised loss on notes payable	(15,940)	(14,222)
Reversal of impairment loss on amount due from an investee company	14,484	–
Net exchange gain/(loss)	3,568	(9,330)
Others	15,373	12,156
	388,163	587,161

Notes to the Financial Report

4. INCOME TAX

The provision for Hong Kong profits tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the six months ended 30 June 2013. Taxation for overseas subsidiaries is calculated at the appropriate current rates of taxation in the relevant countries.

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

	1 January to 30 June 2013	1 January to 30 June 2012
	HK\$'000	HK\$'000
Current taxation		
– Hong Kong profits tax	(10,000)	(3,000)
– Overseas taxation	(34,857)	(156,663)
– Over provision in respect of Hong Kong profits tax in prior years	24,700	12,500
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	(8,278)	11,590
Income tax expense	(28,435)	(135,573)

5. DIVIDENDS

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

	1 January to 30 June 2013	1 January to 30 June 2012
	HK\$'000	HK\$'000
– Interim dividend declared after the balance sheet date of HK\$0.11 (2012: HK\$0.11) per share	189,262	189,262

The directors proposed an interim dividend of HK\$0.11 per share (2012: HK\$0.11 per share) for the six months period ended 30 June 2013. The proposed dividends are not reflected as dividend payable in the financial statements.

Notes to the Financial Report

5. DIVIDENDS (continued)

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

	1 January to 30 June 2013 HK\$'000	1 January to 30 June 2012 HK\$'000
– Final dividend in respect of the previous financial year, approved and paid during the period of HK\$0.15 (2012: HK\$0.30) per share	258,084	516,169

6. OTHER COMPREHENSIVE INCOME

Reclassification adjustments relating to components of the other comprehensive income

	1 January to 30 June 2013 HK\$'000	1 January to 30 June 2012 HK\$'000
Available-for-sale securities:		
Changes in fair value recognised during the period	233,530	(58,618)
Reclassification adjustments for amounts transferred to profit or loss:		
– gain on disposal	(326,066)	(271,193)
– impairment losses	19,090	25,058
Net movement in investment revaluation reserve during the period recognised in other comprehensive income	(73,446)	(304,753)

Notes to the Financial Report

7. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the six months period ended 30 June 2013 is based on the profit attributable to equity shareholders of the Company of HK\$736,598,000 (six months ended 30 June 2012: HK\$766,555,000) and the weighted average number of 1,720,561,712 shares (six months ended 30 June 2012: 1,720,561,712 shares) in issue during the period.

8. INVESTMENTS IN ASSOCIATES

(a) Investments in associates

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Carrying value, net	10,321,707	10,135,102

(b) As at 30 June 2013, 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	33.33%
Everbright Securities (International) Limited	British Virgin Islands	Securities operations	49%*

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

[#] Market value of the listed shares in China mainland as at 30 June 2013 was HK\$14,710,201,000 (31 December 2012: HK\$20,025,418,000).

Notes to the Financial Report

8. INVESTMENTS IN ASSOCIATES (continued)

(b) As at 30 June 2013, particulars of principal associates of the Group are as follows: (continued)

For the six months ended 30 June 2013, Everbright Securities has recorded an after tax profit of RMB811 million (six months ended 30 June 2012: RMB830 million) and the Group's share of profit as per the associates' financial statements, under equity accounting method, amounted to HK\$339 million (six months ended 30 June 2012: HK\$339 million). In addition to the remaining 49% stake of Everbright Securities (International) Limited, the Group is entitled to the results from its 33.33% share of Everbright Securities, which has a 51% stake in Everbright Securities (International) Limited.

Subsequent to 30 June 2013, several announcements ("EBS Announcements") were made by Everbright Securities to disclose information about a trading error made by its proprietary arbitrage business on 16 August 2013 ("the Incident"). The Incident was under investigation of the China Securities Regulatory Commission and the Shanghai Stock Exchange at the date of this report. As a result of the Incident, the relevant proprietary business and the underwriting business regarding non-financial corporate debt financing instruments of Everbright Securities were suspended. Everbright Securities was further restricted from building new stock index futures positions in mainland China. EBS Announcements commented that the financial impact of the Incident on Everbright Securities was uncertain due to market conditions and any warning/punishment that might be imposed by the regulatory bodies.

The Incident did not affect the Group's financial position as of 30 June 2013. At this stage, the Group is unable to ascertain the potential financial impact, if any, on the carrying value of investments in associates and the share of profits or losses from associates in the future.

(c) Amount due from an associate

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

Notes to the Financial Report

9. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

(a) Investments in jointly controlled entities

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Carrying value, net	562,368	441,554

(b) As at 30 June 2013, details of the Group's investments in jointly controlled entities are mainly as follows:

Name of jointly controlled entity	Place of incorporation/ operation	Principal activities	Particulars of issued capital	Percentage of equity interest held by the Company
Everbright Macquarie Infrastructure Limited	Cayman Islands	Fund management	Class A Ordinary Shares	50.0%
			US\$2,000,000	
			Class B Ordinary Shares	50.1%
			US\$20,000	
Everbright Guolian Capital Company Limited	The PRC	Venture capital and investment advisory	RMB370,000,000	50.0%*
China Aircraft Leasing Holdings Limited	Cayman Islands	Investment holding	US\$46,895,000	44.13%#

* Held indirectly

According to HKAS32, the Group's share of the economic interests of the entity for the six months ended 30 June 2013 is still calculated at 48%.

(c) Amounts due from jointly controlled entities

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

Notes to the Financial Report

10. AVAILABLE-FOR-SALE SECURITIES

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
At fair value:		
Listed equity securities:		
– in Hong Kong	453,448	356,205
– outside Hong Kong	7,098,053	7,407,091
Unlisted equity securities	5,170,623	4,082,058
Unlisted debts securities	72,468	105,068
At cost ⁽ⁱ⁾ :		
Unlisted equity securities	545,603	536,164
	13,340,195	12,486,586

- (i) At 30 June 2013, the investments were measured at cost less impairment because the range of reasonable fair value measurement is significant and the probabilities of the various estimates cannot be reasonably assessed.

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Fair value of available-for-sale equity securities that were individually determined to be impaired during the period:		
Listed equity securities		
– in Hong Kong	38,417	46,094
– outside Hong Kong	11,376	5,259
Unlisted equity securities	–	16,543
	49,793	67,896

As at 30 June 2013, certain of the Group's available-for-sale equity securities were individually determined to be impaired on the basis of a prolonged decline in their fair value below cost.

Notes to the Financial Report

10. AVAILABLE-FOR-SALE SECURITIES (continued)

Realised gain on disposal of certain available-for-sale securities are subject to the payment of a project incentive bonus to an investment team (see note 22(b)).

The Group held the following principal available-for-sale securities as at 30 June 2013:

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	4.51%

- (i) As at 30 June 2013, the carrying value of interests in Everbright Bank exceeded 10% of total assets of the Group.

11. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
At fair value:		
Hong Kong listed equity securities	52,079	64,207
Overseas listed equity securities	31,296	25,892
Overseas unlisted equity securities	1,232,256	1,104,044
Overseas unlisted convertible preference shares	23,519	21,550
Overseas unlisted debt securities	907,901	801,201
	2,247,051	2,016,894

Notes to the Financial Report

11. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Realised gain on disposal of certain financial assets designated at fair value through profit or loss are subject to the payment of a project incentive bonus to an investment team (see note 22(b)).

In 2009, 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 profit or loss at the beginning and the end of the period is HK\$114,138,000.

12. ADVANCES TO CUSTOMERS

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Non-current assets		
Term loans to customers		
– secured	–	1,133,900
– unsecured	–	–
	–	1,133,900
Current assets		
Term loans to customers		
– secured	614,545	973,990
– unsecured	346,165	349,886
	960,710	1,323,876

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

Notes to the Financial Report

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Accounts receivable, net	450,408	377,975
Deposits, prepayments, interest and other receivables	418,156	175,246
	868,564	553,221

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

14. TRADING SECURITIES

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Current assets		
At fair value:		
Listed equity securities:		
– in Hong Kong	53,483	30,182
– outside Hong Kong	579,721	296,016
Listed debt securities:		
– outside Hong Kong	188,171	255,899
Unlisted debt securities	656,084	208,690
Derivatives:		
– listed	362	1,358
– unlisted	153,508	11,699
	1,631,329	803,844

Notes to the Financial Report

14. TRADING SECURITIES (continued)

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Current liabilities		
At fair value:		
Listed equity securities		
– in Hong Kong	(19,301)	(7,198)
– outside Hong Kong	(186,146)	(49,429)
Unlisted debt securities	(97,145)	(107,437)
Derivatives:		
– listed	(349)	(5,404)
– unlisted	(110,131)	(6,257)
	(413,072)	(175,725)

15. BANK LOANS

As at 30 June 2013, the bank loans were repayable as follows:

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Within 1 year	–	527,000
After 2 years but within 5 years	1,011,001	447,840
After 5 years	62,559	64,561
	1,073,560	512,401
	1,073,560	1,039,401

Notes to the Financial Report

15. BANK LOANS (continued)

As at 30 June 2013, the bank loans were secured as follows:

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Bank Loans		
– secured	568,919	512,401
– unsecured	504,641	527,000
	1,073,560	1,039,401

As at 30 June 2013, bank loans of the Group of HK\$568,919,000 (2012: HK\$512,401,000) were secured by fixed deposits and property situated in China mainland.

16. AMOUNT DUE TO A FELLOW SUBSIDIARY AND SHAREHOLDER

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

17. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Creditors, deposits received and accrued charges	443,102	309,018

As at 30 June 2013, creditors, deposits received and accrued charges included bonus payable to staff.

Notes to the Financial Report

18. NOTES PAYABLE

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Non-current liability		
Unlisted note issued by the Group, at fair value	20,000	20,000
Current liabilities		
Unlisted notes issued by the Group, at fair value:		
Face value	124,541	124,541
Unrealised loss	26,938	10,999
	151,479	135,540

As at 30 June 2013, the Group has issued three notes to three independent third parties. One note was issued with a face value and carrying amount of HK\$126,527,000 (2012: HK\$124,338,000) and HK\$124,479,000 (2012: HK\$108,540,000) respectively. Under the terms of the note, the Group will pay the subscriber all the realised proceeds and investment income received from certain available-for-sale investments held by the Company throughout the life of the note.

The remaining two notes with face value and carrying amount totaling HK\$47,000,000 (2012: HK\$47,000,000) are interest bearing and have fixed repayment terms.

Notes to the Financial Report

19. MATURITY PROFILE

As at 30 June 2013

	Indefinite HK\$'000	Repayable on demand HK\$'000	3 months or less HK\$'000	1 year or less but over 3 months HK\$'000	5 years or less but over 1 year HK\$'000	After 5 years HK\$'000	Total HK\$'000
Assets							
- Advances to customers	-	-	95,485	865,225	-	-	960,710
- Trading securities	787,073	-	754,748	-	89,508	-	1,631,329
- Available-for-sale securities	13,267,727	-	-	12,729	59,739	-	13,340,195
- Financial assets designated at fair value through profit or loss	1,630,339	-	-	616,712	-	-	2,247,051
- Cash and cash equivalents	-	1,767,273	2,285,516	-	-	-	4,052,789
	15,685,139	1,767,273	3,135,749	1,494,666	149,247	-	22,232,074
Liabilities							
- Bank loans	-	-	-	-	(1,011,001)	(62,559)	(1,073,560)
- Financial liabilities designated at fair value through profit or loss	-	-	-	(105,257)	-	-	(105,257)
- Trading securities	(315,927)	-	(97,145)	-	-	-	(413,072)
- Notes payable	-	-	-	(151,479)	(20,000)	-	(171,479)
- Amount due to a fellow subsidiary and shareholder	-	-	(1,000,000)	-	-	-	(1,000,000)
	(315,927)	-	(1,097,145)	(256,736)	(1,031,001)	(62,559)	(2,763,368)

Notes to the Financial Report

19. MATURITY PROFILE (continued) As at 31 December 2012

	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	-	99,520	665,382	558,974	1,133,900	-	2,457,776
- Trading securities	339,255	-	392,304	72,285	-	-	803,844
- Available-for-sale securities	12,381,518	-	-	-	105,068	-	12,486,586
- Financial assets designated at fair value through profit or loss	1,564,945	-	-	451,949	-	-	2,016,894
- Cash and cash equivalents	-	2,182,518	482,283	-	-	-	2,664,801
	14,285,718	2,282,038	1,539,969	1,083,208	1,238,968	-	20,429,901
Liabilities							
- Bank loans	-	-	(527,000)	-	(447,840)	(64,561)	(1,039,401)
- Financial liabilities designated at fair value through profit or loss	-	-	-	(97,495)	-	-	(97,495)
- Trading securities	(68,288)	-	(107,437)	-	-	-	(175,725)
- Notes payable	-	-	-	(135,540)	(20,000)	-	(155,540)
	(68,288)	-	(634,437)	(233,035)	(467,840)	(64,561)	(1,468,161)

20. SHARE CAPITAL

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
<i>Authorised:</i> Ordinary shares of HK\$1.00 each	2,000,000	2,000,000
<i>Issued and fully paid:</i> End of period/year	1,720,562	1,720,562

Notes to the Financial Report

21. MATERIAL RELATED PARTY TRANSACTIONS

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

	1 January to 30 June 2013 HK\$'000	1 January to 30 June 2012 HK\$'000
Rental income from an ultimate holding company	120	120
Management fee received from:		
– a subsidiary of a jointly controlled entity	4,608	12,416
– a financial asset designated at fair value through profit or loss	11,820	11,858
Loan interest income from:		
– an ultimate holding company	–	3,071
– a jointly controlled entity	1,048	10,393
– a financial assets designated at fair value through profit or loss	10,937	–
Consultancy and other service income from a jointly controlled entity	8,689	–
Interest expense to a fellow subsidiary and shareholder	5,859	–

Notes to the Financial Report

21. MATERIAL RELATED PARTY TRANSACTIONS

(continued)

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

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Amounts due from associates (included in debtors, deposits and prepayments)	28,794	13,201
Loan to a financial asset designated at fair value through profit or loss (included in advances to customers)	209,457	252,470

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

Loan to a financial asset designated at fair value through profit or loss is secured, interest-bearing and has fixed repayment terms.

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

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

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

- (d) None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in chapter 14A of the Listing Rules.

Notes to the Financial Report

22. CONTINGENT LIABILITIES

(a) Corporate guarantee and standby facility

	Notes	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	i	506,360	497,600
Standby facility given to a jointly controlled entity	ii	310,548	310,000
		816,908	807,600

Notes:

- i. The Group's subsidiaries have utilised HK\$506,360,000 of these banking facilities as at 30 June 2013 (31 December 2012: HK\$447,840,000).
- ii. The Group's jointly controlled entity did not utilise any of this standby facility as at 30 June 2013.

(b) Incentive payment

According to an Incentive Agreement dated and announced on 25 May 2007, the Group is obligated to pay a project incentive bonus to an investment team (of which all the individual members are employees of the Group) upon the realisation of each project, whether in whole or in part, under SeaBright China Special Opportunities (I) Limited (of which the Group has a 78.9% equity interest). The amount of the project incentive bonus payable under the agreement is equal to 15% of the profit realised from the disposal of those investments plus the related amount of advisor fee income received less certain attributable project expenses and the investment team's operating expenses. The project incentive bonus is recognised on the realisation of the relevant project. As at 30 June 2013, the accumulated unrealised gain associated with the relevant projects amounted to HK\$916 million (31 December 2012: HK\$808 million). If all relevant projects were disposed of on 30 June 2013 at their fair value, the amount of project incentive bonus payable to the investment team would be approximately HK\$86 million (31 December 2012: HK\$82 million).

Notes to the Financial Report

23. COMMITMENTS

(a) Capital commitments

As at 30 June 2013, the Group had capital commitments as follows:

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Contracted but not provided for	557,422	748,754
Authorised but not contracted for	–	49,760

(b) Operating lease commitments

Operating lease commitments as at 30 June 2013 amounted to approximately HK\$4,647,000 (31 December 2012: HK\$229,000) of which HK\$2,950,000 (31 December 2012: HK\$229,000) is payable in the next twelve months. The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Not later than one year	2,950	229
Later than one year and not later than five years	1,697	–
	4,647	229

Notes to the Financial Report

23. COMMITMENTS (continued)

(c) Off-balance sheet exposure

The fair values and the contractual or notional amounts of the Group's trading equity derivatives outstanding at 30 June 2013 are detailed as follows:

	Fair value assets/ (liabilities)		Contractual/ notional amounts	
	30 June 2013 HK\$'000	31 December 2012 HK\$'000	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Assets derivative contracts	153,870	13,057	6,822,198	983,695
Liabilities derivative contracts	(110,480)	(11,661)	(4,848,123)	(270,806)

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

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

24. FINANCIAL INSTRUMENTS

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

The Group's work in the area of risk management is led by the Chief Risk Officer and execution is carried out 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 areas of business. The following is a brief description of the Group's approach in managing these risks.

Notes to the Financial Report

24. FINANCIAL INSTRUMENTS (continued)

(a) Credit Risk

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

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

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

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

The Group has well defined policies in place on the setting and approval of trading, credit and investment position limits in order to manage its credit risk exposure and concentration. As at the balance sheet date, the Group did not have a significant concentration of credit risk other than the provision of advances to customers which are secured by leasehold land and properties in China mainland and equity shares and third party guarantees of RMB300 million (31 December 2012: RMB600 million), HK\$209 million (31 December 2012: HK\$487 million) and HK\$25 million (31 December 2012: HK\$874 million) respectively.

Notes to the Financial Report

24. FINANCIAL INSTRUMENTS (continued)

(a) **Credit Risk** (continued)

The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, on the balance sheet date deducting any impairment allowance. Except for the corporate guarantee set out in note 22(a), the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of the corporate guarantee at the balance sheet date amounted to HK\$817 million (31 December 2012: HK\$808 million).

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

(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.

Notes to the Financial Report

24. 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 seven 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.

(d) Currency risk

The Group's exposure to exchange risk primarily stems from holdings of monetary assets and liabilities denominated in currencies, other than Hong Kong dollars and net investment in foreign subsidiaries and associates. As most of the Group's monetary assets and liabilities and net investment in foreign subsidiaries and associates are denominated in Hong Kong dollars, United States dollars or Renminbi, management does not consider there to be any significant currency risk.

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

Notes to the Financial Report

24. 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 14), available-for-sale securities (see note 10), financial assets designated as fair value through profit or loss (see note 11) and financial liabilities designated as fair value through profit or loss.

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

The performance of the Group's unquoted investments is assessed, based on the information available to the Group, periodically against performance of listed entities of comparable size and nature of businesses.

Notes to the Financial Report

24. FINANCIAL INSTRUMENTS (continued)

(f) **Offsetting financial assets and financial liabilities**
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial assets HK\$'000	Gross amounts of recognised financial liabilities set off in the balance sheet HK\$'000	Net amounts of financial assets presented in the balance sheet HK\$'000	Related amounts not set off in the balance sheet HK\$'000	Net amount HK\$'000
As at 30 June 2013					
Trading securities	1,631,329	-	1,631,329	(1,009,936)	621,393
Debtors, deposits and prepayments	868,564	-	868,564	(190,845)	677,719
As at 31 December 2012					
Trading securities	803,844	-	803,844	(496,770)	307,074
Debtors, deposits and prepayments	553,221	-	553,221	(279,033)	274,188

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

	Gross amounts of recognised financial liabilities HK\$'000	Gross amounts of recognised financial assets set off in the balance sheet HK\$'000	Net amounts of financial liabilities presented in the balance sheet HK\$'000	Related amounts not set off in the balance sheet HK\$'000	Net amount HK\$'000
As at 30 June 2013					
Trading securities	413,072	-	413,072	(383,186)	29,886
Creditors, deposits received and accrued charges	443,102	-	443,102	(15,760)	427,342
As at 31 December 2012					
Trading securities	175,725	-	175,725	(164,634)	11,091
Creditors, deposits received and accrued charges	309,018	-	309,018	(44,471)	264,547

Notes to the Financial Report

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Estimation of fair values

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. Where available, the most suitable measure for fair value is the quoted market price. In the absence of an organised secondary market, for most financial instruments, and in particular for unlisted equity and debt instruments and derivatives where direct market prices are not available, the fair value of such instruments are calculated on the basis of well-established valuation techniques using current market parameters. In particular, the fair value is a theoretical value applicable at a given reporting date, and hence can only be used as an indicator of realisable value.

The Group compares valuations derived from models with quoted prices of similar financial instruments, and public information available in order to further validate and calibrate the models. These techniques involve uncertainties and are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experiences and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values. Derived fair value estimates cannot necessarily be substantiated by comparison to independent markets and, in many cases, could not be realised in an immediate sale of the instruments. The following methods and significant assumptions have been applied in determining the fair values of financial instruments:

- (i) The fair value of unquoted equity investments is estimated using an appropriate combination of (1) discount cash flow method to devolve the future value of the business into a present market value, (2) deducing from prices recently paid for similar assets and the financial indicators of the transacted assets such as net book value and net operating profit, and (3) applying, if possible, price to earnings ("P/E") ratios, price to book ("P/B") ratios, enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") ratios and enterprise value to sales ("EV/Sales") ratios for similar listed companies adjusted to reflect the specific circumstances of the investments.

Notes to the Financial Report

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

(continued)

(a) Estimation of fair values (continued)

- (ii) The fair value of derivatives is estimated either using broker quotes or by discounting future cash flows. Future cash flows are estimated based on management's best estimate of the amount it would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions. The discount rate used is a market rate for a similar instrument at the balance sheet date. The fair value of an option contract is determined by applying an option valuation model such as the Black-Scholes valuation model. Inputs are based on market related data at the balance sheet date.

(b) Fair value

Unless otherwise specified, all financial instruments are stated at fair value or carried at amounts not materially different from their fair values as at 30 June 2013 and 31 December 2012.

Fair values of financial instruments are categorised into three levels of the fair value hierarchy as follows:

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data; and
- Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data.

There is no transfer of financial instruments between different levels of fair value hierarchy during the period.

Notes to the Financial Report

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

(continued)

(b) Fair value (continued)
As at 30 June 2013

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
ASSETS				
Available-for-sale securities	7,623,969	–	5,716,226	13,340,195
Financial assets designated at fair value through profit or loss	83,375	37,561	2,126,115	2,247,051
Trading securities	821,737	809,592	–	1,631,329
	8,529,081	847,153	7,842,341	17,218,575
LIABILITIES				
Financial liabilities designated at fair value through profit or loss	–	–	(105,257)	(105,257)
Notes payable	–	–	(171,479)	(171,479)
Trading securities	(205,796)	(207,276)	–	(413,072)
	(205,796)	(207,276)	(276,736)	(689,808)

Notes to the Financial Report

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

(continued)

(b) Fair value (continued)

As at 31 December 2012

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
ASSETS				
Available-for-sale securities	7,868,364	-	4,618,222	12,486,586
Financial assets designated at fair value through profit or loss	90,100	-	1,926,794	2,016,894
Trading securities	583,455	220,389	-	803,844
	8,541,919	220,389	6,545,016	15,307,324
LIABILITIES				
Financial liabilities designated at fair value through profit or loss	-	-	(97,495)	(97,495)
Notes payable	-	-	(155,540)	(155,540)
Trading securities	(62,031)	(113,694)	-	(175,725)
	(62,031)	(113,694)	(253,035)	(428,760)

Notes to the Financial Report

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

(continued)

(b) **Fair value** (continued)

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

	Available- for-sale securities HK\$'000	Financial assets designated at fair value through profit or loss HK\$'000	Financial liabilities designated at fair value through profit or loss HK\$'000	Notes payable HK\$'000
At 1 January 2013	4,618,222	1,926,794	(97,495)	(155,540)
Purchases	888,152	145,502	-	-
Net unrealised gain recognised in other comprehensive income	312,120	-	-	-
Net unrealised gain or loss recognised in profit or loss	-	53,819	(7,762)	(15,939)
Sales	(102,268)	-	-	-
At 30 June 2013	5,716,226	2,126,115	(105,257)	(171,479)

Notes to the Financial Report

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

(continued)

(b) Fair value (continued)

	Available- for-sale securities HK\$'000	Financial assets designated at fair value through profit or loss HK\$'000	Financial liabilities designated at fair value through profit or loss HK\$'000	Notes payables HK\$'000
At 1 January 2012	2,719,443	1,053,794	(148,058)	(633,965)
Purchases/(issued)	1,555,529	431,613	-	(20,000)
Net unrealised gain recognised in other comprehensive income	368,190	-	-	-
Net unrealised gain or loss recognised in profit or loss	(27,680)	441,387	(10,829)	(27,748)
(Sales)/repurchased	(47,937)	-	61,392	526,173
Reclassification	50,677	-	-	-
At 31 December 2012	4,618,222	1,926,794	(97,495)	(155,540)

(c) **Information about Level 3 fair value measurements**

The fair value of Level 3 financial instruments is determined using market multiples such as the P/E ratios, P/B ratios, EV/EBITDA ratios and EV/Sales ratios for similar listed companies adjusted for lack of marketability discount. Below is a sensitivity analysis showing the impact of a 5% change in the major unobservable inputs to fair value.

Notes to the Financial Report

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

(continued)

(c) Information about Level 3 fair value measurements (continued)
As at 30 June 2013

	Increase/ (decrease) in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss HK\$'000	Favourable/ (unfavourable) impact on other comprehensive income HK\$'000
Discount for lack of marketability	5%	(7,043)	(57,522)
	(5%)	7,043	57,522
Market multiples	5%	25,304	114,128
	(5%)	(25,304)	(114,128)

26. SEGMENT INFORMATION

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

- Primary Market Investment – including:
 - Private Equity Funds – investment in unlisted equity securities and/or equity derivatives with meaningful equity position for participating in the ongoing management of these companies, and with an ultimate objective of capital gain on investee's equity listing or, in some circumstances, prior to listing;
 - Venture Capital Funds – invests primarily in sectors, such as new energy and new materials, energy-saving and environmentally friendly services, bio-pharmaceuticals and healthcare, digital information and high-end manufacturing, as well as traditional manufacturing which is supported by hi-tech and advanced skills, with an ultimate objective of providing one-stop services for the investee companies including investment, financing, management and listing, enabling better returns for investors; and

Notes to the Financial Report

26. SEGMENT INFORMATION (continued)

- Primary Market Investment – including: (continued)
 - Sector Focus Funds – sector focus specific long term investment in projects and equities, also targeting the management of investment funds focusing on real estate, infrastructure, medical & healthcare and resources assets (including low carbon and new energy industries).
- Secondary Market Investment – management of absolute return funds with key focus on secondary market trading. Investment return on the Group's own capital seeded into those funds is included herewith.
- Structured Financing and Investment – mainly invests in private equity, pre-IPO financing and structured financing for listed companies and its major shareholders by using its proprietary capital. It uses foreign currencies and/or Renminbi flexibly to facilitate the onshore and offshore financial needs of its target companies or individuals. Investment professionals in the team follow simple and clear investment philosophies by adopting a conservative, diversified and flexible investment approach that attains above-market returns on capital with below-average levels of business risk.
- Strategic Investment and Treasury – the Group's treasury management operations, and medium and long term investments which are carried out under senior management's directions.
- All other segments – which do not meet the threshold to be reportable and include the Group's investment in properties and certain financial assets and liabilities created from corporate investments.

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

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

Notes to the Financial Report

26. SEGMENT INFORMATION (continued)

(a) Business segments

For the six months period ended 30 June 2013:

	Primary Market Investment HK\$'000	Secondary Market Investment HK\$'000	Structured Financing & Investment HK\$'000	Strategic Investment & Treasury HK\$'000	Reportable segment total HK\$'000	All other segments HK\$'000	Total HK\$'000
REVENUE							
Operating income from external customers	159,925	35,844	208,778	145,648	550,195	45,487	595,682
Other net income from external customers	350,607	(3,068)	44,107	-	391,646	(3,483)	388,163
Total operating income and other net income	510,532	32,776	252,885	145,648	941,841	42,004	983,845
RESULTS AND RECONCILIATION OF SEGMENT RESULTS							
Segment results before non-controlling interests	428,314	(26,825)	219,113	138,617	759,219	30,636	789,855
Unallocated head office and corporate expenses							(80,977)
Share of profits less losses of associates, as per the associates' financial statements							343,625
Share of profits less losses of jointly controlled entities, as per the jointly controlled entities' financial statements							22,744
Adjustments to share of profits less losses to conform with the Group's accounting policies							(83,421)
Profit before taxation							991,826
Less: non-controlling interests	(222,985)	-	(3,934)	-	(226,919)	126	
Segments results	205,329	(26,825)	215,179	138,617	532,300	30,762	

Notes to the Financial Report

26. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

For the six months period ended 30 June 2012:

	Primary Market Investment HK\$'000	Secondary Market Investment HK\$'000	Structured Financing & Investment HK\$'000	Strategic Investment & Treasury HK\$'000	Reportable segment total HK\$'000	All other segments HK\$'000	Total HK\$'000
REVENUE							
Operating income from external customers	45,262	15,103	136,699	320,111	517,175	15,541	532,716
Other net income from external customers	214,036	15,339	380,227	-	609,602	(22,441)	587,161
Total operating income and other net income	259,298	30,442	516,926	320,111	1,126,777	(6,900)	1,119,877
RESULTS AND RECONCILIATION OF SEGMENT RESULTS							
Segment results before non-controlling interests	196,319	(12,095)	459,552	318,839	962,615	(16,397)	946,218
Unallocated head office and corporate expenses							(103,446)
Share of profits less losses of associates, as per the associates' financial statements							330,270
Share of profits less losses of jointly controlled entities, as per the jointly controlled entities' financial statements							39,823
Adjustments to share of profits less losses to conform with the Group's accounting policies							(189,967)
Profit before taxation							1,022,898
Less: non-controlling interests	(20,687)	171	(100,380)	-	(120,896)	126	
Segments results	175,632	(11,924)	359,172	318,839	841,719	(16,271)	

Notes to the Financial Report

26. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Other Information (continued)

As at 31 December 2012:

	Primary Market Investment HK\$'000	Secondary Market Investment HK\$'000	Structured Financing & Investment HK\$'000	Strategic Investment & Treasury HK\$'000	Reportable segment total HK\$'000	All other segments HK\$'000	Sub-total HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment assets	4,833,233	1,424,415	5,034,555	8,266,284	19,558,487	1,792,250	21,350,737	(8,310)	21,342,427
Investments in associates									10,135,102
Investments in jointly controlled entities									441,554
Amounts due from investee companies									117,441
Amount due from a jointly controlled entity									4,236
Unallocated head office and corporate assets									217,319
Total assets									32,258,079
Segment liabilities	53,105	221,109	749,099	770	1,024,083	112,987	1,137,070	(8,310)	1,128,760
Amount due to a jointly controlled entity									5,756
Provision for taxation									355,372
Deferred tax liabilities									163,055
Unallocated head office and corporate liabilities									648,857
Total liabilities									2,301,800

Notes to the Financial Report

26. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets, goodwill, interests in associates and jointly controlled entities ("Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the Specified non-current assets is based on the physical location of the asset. For intangible assets, goodwill, interests in associates and jointly controlled entities, the geographical location is based on the location of operations.

	For the six months period ended 30 June 2013			For the six months period ended 30 June 2012		
	Hong Kong	Mainland China	Total	Hong Kong	Mainland China	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Operating income	377,720	217,962	595,682	370,268	162,448	532,716
Other net income	101,702	286,461	388,163	108,402	478,759	587,161
	479,422	504,423	983,845	478,670	641,207	1,119,877
	As of 30 June 2013			As of 31 December 2012		
	Hong Kong	Mainland China	Total	Hong Kong	Mainland China	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Specified non-current assets	566,530	10,894,810	11,461,340	572,501	10,580,779	11,153,280

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 52 which comprises the consolidated balance sheet of China Everbright Limited (the “Company”) as of 30 June 2013 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of Review

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

Review Report

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2013 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

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

29 August 2013

Business Review and Prospects

Interim Dividend

The Board of Directors declared the payment of an interim dividend of HK\$0.11 per share for the six months ended 30 June 2013 (2012: HK\$0.11 per share).

Operating Results

In the first half of 2013, developed economies in Europe and the US continued to see progressive improvements in the midst of the ongoing quantitative easing measures. The US economy showed steady recovery and its stock market hit record highs. The situation in Europe remained stable, while the Japanese stock market soared on the back of a large-scale infusion of government money. China's economic data, however, fell short of expectations in the first half of the year. Markets were skeptical of whether China could maintain steady economic growth while undergoing structural reforms. Consequently, stock markets retreated significantly in the first half of the year. During the period under review, Hong Kong's overall economy remained stable with stocks remaining range-bound, but fundamentals continued to be steady.

China Everbright Limited (“the Group” or “Everbright”) is primarily engaged in cross-border asset management business in Hong Kong and China mainland, possessing considerable investments in both areas. During the period under review, scale of assets under management of our Primary Market Investment business – which mainly comprises private equity funds, venture capital funds and sector focus funds, – continued to grow. Income from management fees increased, while the invested project remained healthy in the divestment pipeline. The Group's Secondary Market Investment business which focuses on stock markets has been consistently launching innovative fixed income products while the operating platform for absolute return funds was optimizing. Interest income from the Structured Financing and Investment business declined slightly, but more opportunities will open up in the second half of the year. Despite the sharp decline of the Mainland stock markets, Everbright Securities, the Group's associate company, was still able to achieve revenue growth compared to the same period last year. However, the Group had made provisions for the reduction in fair value of various investments held by Everbright Securities, in accordance with the Hong Kong Financial Reporting Standards (HKFRS) and the Group's accounting policy in adjusting valuations of associates. As a result, the Group's overall profit was impacted. The listing of H-shares in Hong Kong of Everbright Bank was in progress. In order to raise its capital base, the bank has significantly reduced its dividend payout compared to the last year.

Business Review and Prospects

Operating Results (continued)

During the first half of 2013, the Group's turnover increased significantly to HK\$6.2 billion because of the operations of two absolute return funds, which were launched in July 2012, and the Group's operating income amounted to HK\$596 million, an increase of 12% over the same period last year. Profit after tax and non-controlling interests was HK\$737 million, representing a decrease of 4%. Earnings per share decreased 4% to HK\$0.428. Profit before tax of the Hong Kong operations (excluded dividend income from Everbright Bank) increased by 5% to HK\$575 million. Total expenses were HK\$254 million, an increase of 4% compared to last year, while the total cost-to-income ratio rose 4 percentage points, from 22% during the same period last year to 26%. Contribution to Group profit from Everbright Securities is HK\$339 million and increase 76% after deducting adjustments to share of profits less losses to conform with the Group's accounting policies of approximately HK\$77 million. Dividend income after tax from Everbright Bank was HK\$121 million, 55% lower compared to the first half of 2012.

As at 30 June 2013, investments held by various funds under the Group's asset management business performed healthily and the fair value remained stable. Equity attributable to shareholders increased by 2.2% compared with the end of 2012 to HK\$28.7 billion. The interest-bearing gearing ratio remained very healthy, rising to 6.8%. This strong financial position continues to support the expansion of the Group's different businesses.

Core Business – Fund Management and Investment Operations

As of June 2013, the Group had 15 funds under its cross-border Macro Asset Management Platform. Total funds raised increased to over HK\$25.2 billion, while the sum of uninvested capital and fair value of invested projects amounted to approximately HK\$26 billion, representing increases of 9.7% and 9% respectively compared to the end of last year.

Business Review and Prospects

Core Business – Fund Management and Investment Operations *(continued)*

Primary Market Investment Business

The Primary Market Investment business consists of three private equity funds under the China Special Opportunities Fund series, three venture capital funds, and four sector focus funds covering infrastructure, real estate, low-carbon new energy and new materials, and medical and healthcare. In the first half of the year our Primary Market Investment business added 10 investment projects, bringing the total number of projects in the portfolio to 59. Despite the stagnancy of the stock markets in China and the suspension of IPO approval procedures, the Group's Primary Market Investment business maintained steady growth. Fund raised increased to HK\$22 billion, and some divestments were made at the appropriate times. During the first half of 2013, the business reported profit before tax of HK\$205 million, an increase of 17% year on year.

➤ Private Equity Funds

The three private equity funds of the China Special Opportunities Fund series added two projects during the first half of the year, bringing the total number of investment projects to 19, all of which were operating well. Among them, Anhui Yingliu Group is still awaiting the resumption of IPO approvals in China before it can proceed to the final stage of its A-share listing plan. Union Pay's operating results continued to record stable growth. The BGI Tech Solutions, Wufeng Rice Industry and Yuan Cheng Logistics projects progressed as scheduled, focusing on their IPO plans. Given the ongoing consolidation of China's private equity industry and the structural economic reforms, the team remained cautious at investments. However, they foresaw that there would be more promising and rewarding opportunities in the second half of the year.

➤ Venture Capital Funds

The three RMB-denominated venture capital funds have fundamentally completed the investment phase and moved on to the post-investment management phase. Among the total of 19 projects held, the successfully listed Jiawei Shenzhen (Stock code: 300317) performed relatively well, while CECEP Wind-Power and Hanbang Technology have obtained approval from the Issuance Examination Committee of China Securities Regulatory Commission and are waiting resumption of IPO approvals. Some of the remaining projects have also commenced preparations for listing on the China's new over-the-counter equity market.

Business Review and Prospects

Core Business – Fund Management and Investment Operations (continued)

Primary Market Investment Business (continued)

> Sector Focus Funds

In mid-2013, Everbright Ashmore Real Estate Fund's assets under management amounted to approximately US\$1.12 billion, in which US\$154 million of its USD-denominated fund has fundamentally completed its investment phase. The USD Fund primarily invests via equity interests, it is currently holding five property projects in Shanghai, Shenyang and Xuzhou. During the reporting period, the fund signed an agreement for divestment of the Chongqing Imix Park Project, may achieve an internal rate of return (IRR) of over 25%. Fundraising for the second phase of this USD fund has progressed well and is expected to complete its first closure in the third quarter. In addition, the RMB-denominated part of this Everbright Ashmore Real Estate Fund which targets individual property projects expanded rapidly. As of end of June 2013, this RMB-denominated part raised RMB5.33 billion and possessed eight projects, generating a promising increase of the management fee income.

The Macquarie Everbright Greater China Infrastructure Fund has raised approximately US\$870 million, with invested and committed projects covering water purification, rubbish incineration, urban sewage treatment, inland ports and liquefied gas storage and so on. The Fund is strategically focused on excellent investment opportunities arising from areas such as urban public facilities, green energy, gas transmission and coastal ports. As of end of June 2013, the Fund had four investments projects. In the first half of the year, it has already commenced the establishment of an RMB-denominated infrastructure fund and planned to roll out fundraising exercise in the second half of the year.

Business Review and Prospects

Core Business – Fund Management and Investment Operations (continued)

Primary Market Investment Business (continued)

➤ Sector Focus Funds (continued)

The Group's Low Carbon New Energy and New Materials Fund has put its focus on the new materials, energy-saving and environmental protection, as well as clean energy sectors. It has now invested in two projects, and all of them achieved significant growth compared to the same period last year. In addition to the prominent overcapacity issue in the new energy industry, the limited scale of companies in the energy saving, environmental protection as well as new materials sector and their fairly weak risk resistances posed challenges to the team at deal sourcing. During the period, the Fund adopted the investment approach at supply chain, by strategically focusing on Qingdao, Jiangsu-Zhejiang and Pearl River Delta regions, so as to take advantages of the local business network built by Everbright to expand its investment reach.

The Healthcare Fund collaborated with the Group's China Special Opportunities Fund III last year to invest in BGI Tech solutions project. The Fund added one new project AMCARE Women's & Children's Hospital in the first half of the year. The team will commence fundraising exercises for the second fund in the second half of the year.

Secondary market investment business

The Group's Secondary Market Investment business is divided into two segments: traditional asset management which focuses on fixed income products, and global hedge fund products. In the first half of 2013, the Group recorded loss of HK\$27 million from the Secondary Market Investment business.

For fixed income products, the RMB1 billion QDII Greater China Bond Trust Plan performed well. The investment team and its Mainland partners have completed most of the preparatory work of fundraising for the USD-denominated QDII Bond Trust Plan. In the first half of the year, the team successfully established the Everbright Dynamic Bond Fund in Hong Kong, raising a total of US\$30 million. Moreover, the Group obtained a QFII license from the China Securities Regulatory Commission in the first half of the year and was granted a QFII quota of US\$100 million by the State Administration of Foreign Exchange on 30 July.

Business Review and Prospects

Core Business – Fund Management and Investment Operations (continued)

Secondary market investment business (continued)

For the global hedge fund products, the Group launched two absolute return funds in July last year. After a year of operations, these funds have developed an established system and will start fundraising at the appropriate time. The Group believes that these types of absolute returns platforms and products have substantial room for development as markets in the region continue to open up gradually and investor awareness increases. Therefore, the Group will continue to launch absolute returns of other types to further diversify our cross-border asset management products.

Structured financing and investment business

In most of the first half of 2013, liquidity in the market was relatively abundant and aggregate yields trended lower. In addition, China's economy showed no clear signs of improvement, leading to perceptions of higher overall macroeconomic risk. In view of this, the Group's Structured Financing and Investment business slowed down its investments, which resulted in a decline in interest income. As the Mainland stock markets performed poorly, divestment income from the business was also reduced. In the first half of the year, the business recorded HK\$204 million in interest and consultancy income and HK\$48 million in total investment income. Profit before tax amounted to HK\$215 million.

During the period under review, the business recovered principal with interest for two of its matured projects, achieving an IRR of over 20%. The team also completed the final phase of Focus Media's privatisation. All remaining projects still held by the business maintained good repayment and operational progress, with one even beginning the procedure for listing on the Main Board of the Hong Kong Stock Exchange. Aligning with the Group's asset management development strategy, the Structured Financing and Investment business built on the success of the first phase of RMB mezzanine fund established last year and commenced on the establishment of a USD-denominated mezzanine fund. Furthermore, the business improved its work practices in areas such as due diligence, risk assessment and post-investment management processes.

Business Review and Prospects

Core Business – Fund Management and Investment Operations (continued)

Aircraft leasing business

China Aircraft Leasing Company Limited, in which the Group has 44% interest, performed well and sustained rapid growth. It has contributed approximately HK\$23 million to the Group's profit. As at 30 June, the number of aircraft in operation increased to 18. 36 new A320 Airbus aircrafts purchased last year will be delivered gradually in a short period, increasing the fleet size.

Everbright Securities

In the first half of 2013, brokerage houses in China suffered from the slowdown of the country's economy as well as investor worries over the economic outlook, the plummet of the Mainland stock market and the suspension of IPOs. Despite these challenges, Everbright Securities Co Ltd, an associate company in which the Group holds a 33.33% interest, maintained healthy operations. According to Hong Kong Financial Reporting Standards, Everbright Securities contributed earnings after tax of HK\$339 million in the first half of the year. Also in accordance with Hong Kong Financial Reporting Standards, the Group adjusted the profit contribution of Everbright Securities by HK\$77 million on the various investments held by it.

Everbright Securities (International) – Hong Kong's Brokerage and Investment Banking Business

Everbright Securities and the Group respectively hold a 51% interest and 49% interest of Everbright Securities (International), which operates the brokerage, wealth management and investment banking business in Hong Kong. In the first half of 2013, profit contributed by Everbright Securities (International) amounted to approximately HK\$4 million.

Business Review and Prospects

Outlook

The Group anticipates that the global economy will remain stable in the second half of the year. The American economy is expected to continue its slow recovery, allowing the US dollar to grow stronger. Economic recovery in Europe remains challenging as the Eurozone faces deleveraging and long-term government financial constraints, although there has been temporary relief from the debt crisis. Japan's Quantitative Easing Policy is starting to have effect, though its success in economic reconstruction remains uncertain. China faces a challenge in balancing its median growth rate with the structural transformation of its economy. In the short term, the Chinese economy will not see huge volatility, but liquidity will remain tense. Under this circumstance, we are cautiously optimistic about Hong Kong's overall market outlook. The internationalisation of the Renminbi will continue to provide more opportunities to the financial industry, but exit of the US qualitative easing policy remain highly uncertain to the local investment market.

We intend to maintain steady growth in our business development. First, we will make good use of Everbright's vast experience in China mainland and the specialties of our teams, aiming to leverage our value investment approach while upholding the strong track records of our primary market investments. Second, we will continue to leverage Everbright's macro asset management platform, opportunities arising from the development of Hong Kong as an offshore Renminbi center, as well as our qualifications in QFII, QDII and QFLP to diversify our product offerings in fixed income, absolute return, mezzanine and other financial products. Third, we will continue to utilize our healthy gearing level to seek overseas merger and acquisition opportunities to cater the trend and demand in the advancement of Chinese industries for diversification. Finally, we will exit from projects at a steady pace to achieve stable investment income growth.

Business Review and Prospects

Outlook (continued)

As Everbright's asset management transformation was successful, and all our operations have begun to take shape, our visibility in making profit sustainably is improving. All in all, we are confident about our growth in the second half of 2013.

Financial Positions

As at 30 June 2013, the Group's total assets amounted to approximately HK\$34.8 billion, with cash on hand of approximately HK\$4.1 billion. Apart from current liabilities in the ordinary course of business and those related to derivative financial instruments, the Group's major liabilities are bank loans and amount due to a fellow subsidiary and shareholder of approximately HK\$1.1 billion and HK\$1.0 billion, respectively. Loans are obtained to finance the Group's working capital requirements and investment in China mainland. The actual borrowing depends on the Group's business and investment needs. As at 30 June 2013, the Group's borrowing facilities amounted to approximately HK\$3.25 billion. The Group's gearing ratio, calculated as interest bearing liabilities divided by shareholders' equity, was 6.8% as at 30 June 2013 (31 December 2012: 3.6%). The Group had no material exposure to foreign exchange fluctuations other than assets and bank loans denominated in Renminbi and US dollars.

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

Hong Kong, 29 August 2013

Disclosure of Interests

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

As at 30 June 2013, 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 capital
Tang Chi Chun, Richard	719,000	719,000	-	-	0.04%

2. Long position in shares of associated corporations of the Company, including China Everbright International Limited ("CEIL"):

Name of director	Total	Personal interest	Family interest	Corporate interest	% of total issued capital
Zang Qiutao	2,000,000	2,000,000	-	-	0.049%
Chen Shuang	40,000	40,000	-	-	0.001%

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

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

Save as disclosed herein, as at 30 June 2013, none of the directors and chief executives of the Company had interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporation defined under the SFO as recorded in the register of directors' and chief executives' interests and short positions.

Disclosure of Interests

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the 6 months ended 30 June 2013 was the Company or any of its subsidiaries, holding companies or fellow subsidiaries, a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 30 June 2013, the following persons had an interest or short position in the shares and underlying shares of the Company which must be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who directly or indirectly, had a 5% or greater interest in the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long Position

Name of shareholder	No. of shares beneficially held	% of total issued shares
China Everbright Holdings Company Limited (Note)	870,873,207	50.62%
Datten Investments Limited (Note)	867,119,207	50.40%
Honorich Holdings Limited	867,119,207	50.40%

Note: 867,119,207 shares are held by Honorich Holdings Limited ("Honorich"). Honorich is wholly-owned by Datten Investments Limited ("Datten") which in turn is a wholly-owned subsidiary of China Everbright Holdings Company Limited ("CE Holdings"). Accordingly, Datten and CE Holdings are deemed to have the same interests in the shares of the Company as Honorich. 3,754,000 shares are held by Everbright Investment & Management Limited ("EIM"), a wholly owned subsidiary of CE Holdings.

As confirmed by CE Holdings, CE Holdings was interested in a total of 873,152,207 shares (representing 50.75% of the issued shares of the Company) as at 30 June 2013 because of the additional acquisition of 2,279,000 shares by EIM.

Disclosure of Interests

Substantial Shareholders (continued)

Save as disclosed above, as at 30 June 2013, the directors were not aware of any other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who directly or indirectly, had a 5% or greater interest in the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Employees

As at 30 June 2013, the Group had 231 employees. Total staff costs for the period under review amounted to approximately HK\$124 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

The Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the six months ended 30 June 2013.

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 2013.

Audit and Risk Management Committee

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

The Audit and Risk Management Committee and the management have reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the unaudited interim financial report of the Group for the six months ended 30 June 2013.

Corporate Governance

Remuneration Committee

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

Nomination Committee

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

Other Information

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of directors' information of the Company in 2013 is as follows:

Mr. Zang Qiutao resigned as a director and Chairman of China Everbright Investment Management Corporation with effect from 21 May 2013.

Mr. Chen Shuang was appointed as Deputy General Manager and re-designated as executive director of China Everbright Holdings Company Limited, a substantial shareholder of the Company with effect from 15 April 2013 and 15 May 2013 respectively.

Mr. Seto Gin Chung, John, an independent non-executive director of the Company, resigned with effect from 21 May 2013 as the independent non-executive director of Sateri Holdings Limited, a company listed on the Stock Exchange (stock code: HK1768).

Dr. Chung Shui Ming, Timpson was appointed as the Chairman of the Audit and Risk Management Committee of the Company to replace Mr. Ng Ming Wah, Charles with effect from 15 May 2013.

Mr. Ng Ming Wah, Charles resigned as an independent non-executive director of the Company and a member of the Audit and Risk Management Committee and Remuneration Committee with effect from 15 May 2013 after his retirement from the Company.

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\$0.11 per share for the six months ended 30 June 2013 (2012: HK\$0.11 per share) to those shareholders whose names appear on the register of members of the Company on 30 September 2013. Dividend cheques will be dispatched to shareholders of the Company on or about 17 October 2013.

Other Information

Closure of Register of Members

The register of members of the Company will be closed from 30 September 2013 to 3 October 2013 (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 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 27 September 2013.

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, 29 August 2013