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CHINA EVERBRIGHT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 165)

ANNOUNCEMENT

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 2012. 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 will be included in the interim report to be sent to shareholders. 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 2012

	Notes	1 January to 30 June 2012 HK\$'000	1 January to 30 June 2011 HK\$'000 (Restated)
Continuing operations			
Turnover	3	669,126	2,083,967
Operating income	3	532,716	428,905
Other net income	3	587,161	488,903
Staff costs		(131,289)	(103,376)
Depreciation and amortisation expenses		(15,074)	(7,579)
Impairment loss on available-for-sale securities		(25,058)	(9,480)
Impairment loss on amounts due from investee companies		(7,637)	–
Other operating expenses		(55,515)	(45,549)
Profit from operations		885,304	751,824
Finance costs		(42,532)	(28,557)
Share of profits less losses of associates, as per the associates' financial statements	9(b)	330,270	457,101
Share of profits less losses of jointly controlled entities, as per the jointly controlled entities' financial statements	10	39,823	(10,219)
Adjustments to share of profits less losses to conform with the Group's accounting policies	1	(189,967)	(10,913)
Profit before taxation		1,022,898	1,159,236
Income tax	4	(135,573)	(127,405)
Profit from continuing operations		887,325	1,031,831
Discontinued operations			
Gain on disposal of subsidiaries	5	–	511,576
Profit from discontinued operations	5	–	10,871
Profit for the period		887,325	1,554,278

CONSOLIDATED INCOME STATEMENT *(continued)*
For the six months ended 30 June 2012

	Notes	1 January to 30 June 2012 HK\$'000	1 January to 30 June 2011 HK\$'000 (Restated)
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Profit attributable to equity shareholders of the Company:			
Continuing operations		766,555	1,041,345
Discontinued operations		–	522,447
		766,555	1,563,792
Non-controlling interests		120,770	(9,514)
		887,325	1,554,278
<hr/>			
Basic and diluted earnings per share	8		
Continuing operations		HK\$0.446	HK\$0.604
Discontinued operations		–	HK\$0.303
		HK\$0.446	HK\$0.907
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	1 January to 30 June 2012 HK\$'000	1 January to 30 June 2011 HK\$'000
Profit for the period		887,325	1,554,278
Other comprehensive income for the period (after tax and reclassification adjustments):			
Net movement in investment revaluation reserve of available-for-sale securities	7	(304,753)	(1,199,912)
Share of investment revaluation reserve, exchange reserve and capital reserve of associates, as per the associates' financial statements		146,894	(68,413)
Share of option premium reserve of a jointly controlled entity, as per the jointly controlled entity's financial statements		410	–
Adjustments to share of investment revaluation reserve, exchange reserve and capital reserve of associates to conform with the Group's accounting policies	1	129,569	–
Exchange reserve		(38,024)	169,981
		(65,904)	(1,098,344)
Total comprehensive income for the period		821,421	455,934
Attributable to:			
Equity shareholders of the Company		848,008	318,342
Non-controlling interests		(26,587)	137,592
Total comprehensive income for the period		821,421	455,934

CONSOLIDATED BALANCE SHEET

As at 30 June 2012

		30 June 2012 HK\$'000	31 December 2011 HK\$'000
	Notes		
Non-current assets			
Fixed assets		571,614	569,571
Investments in associates	9(a)	9,747,649	9,700,682
Investments in jointly controlled entities	10	565,387	510,840
Available-for-sale securities	11	11,302,740	11,211,236
Financial assets designated at fair value through profit or loss	12	1,450,199	1,166,953
Advances to customers	13	1,736,927	393,960
Amounts due from investee companies		104,114	111,823
		25,478,630	23,665,065
Current assets			
Advances to customers	13	622,550	1,990,120
Amount due from an associate	9(c)	364,508	–
Amounts due from jointly controlled entities	10(c)	51,541	334,823
Debtors, deposits and prepayments	14	618,175	722,479
Trading securities	15	150,064	141,672
Cash and cash equivalents		3,037,780	4,246,257
		4,844,618	7,435,351
Current liabilities			
Creditors, deposits received and accrued charges	17	(224,521)	(178,813)
Trading securities	15	–	(206)
Bank loans	16	(635,024)	(1,063,754)
Financial liabilities designated at fair value through profit or loss		(91,271)	(148,058)
Notes payable	18	(156,187)	(633,965)
Amount due to an associate	9(c)	(438)	(438)
Provision for taxation		(376,047)	(413,150)
		(1,483,488)	(2,438,384)
Net current assets		3,361,130	4,996,967
Total assets less current liabilities		28,839,760	28,662,032

CONSOLIDATED BALANCE SHEET *(continued)**As at 30 June 2012*

	Notes	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Non-current liabilities			
Bank loans	16	(66,288)	(69,517)
Deferred tax liabilities		(240,296)	(319,787)
		(306,584)	(389,304)
NET ASSETS		28,533,176	28,272,728
CAPITAL AND RESERVES			
Share capital	20	1,720,562	1,720,562
Reserves		25,076,614	24,744,775
Total equity attributable to equity shareholders of the Company		26,797,176	26,465,337
Non-controlling interests		1,736,000	1,807,391
TOTAL EQUITY		28,533,176	28,272,728

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

Note	Attributable to equity shareholders of the Company										Non-controlling interests	Total equity
	Share capital HK\$'000	Share premium HK\$'000	Option premium reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Goodwill reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
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 6(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
As at 1 January 2011	1,723,563	7,887,639	1,116	8,071,021	2,984	(924,395)	109,714	1,056,393	10,212,588	28,140,623	2,030,848	30,171,471
Shares issued under share option scheme	583	3,328	(1,116)	-	-	-	-	-	-	2,795	-	2,795
Net investment by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	25,274	25,274
Dividends paid 6(b)	-	-	-	-	-	-	-	-	(517,244)	(517,244)	(416,306)	(933,550)
Transfer between reserves	-	-	-	-	-	255,896	(10,000)	-	(245,896)	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	1,563,792	1,563,792	(9,514)	1,554,278
Other comprehensive income for the period	-	-	-	(1,486,125)	-	-	77,127	163,548	-	(1,245,450)	147,106	(1,098,344)
As at 30 June 2011	1,724,146	7,890,967	-	6,584,896	2,984	(668,499)	176,841	1,219,941	11,013,240	27,944,516	1,777,408	29,721,924

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2012*

	1 January to 30 June 2012 HK\$'000	1 January to 30 June 2011 HK\$'000
Net cash inflow/(outflow) from operating activities	238,330	(1,894,951)
Net cash inflow/(outflow) from investing activities	96,489	(182,173)
Net cash (outflow)/inflow from financing activities	(1,484,932)	459,165
Net decrease in cash and cash equivalents	(1,150,113)	(1,617,959)
Cash and cash equivalents		
Beginning of the period	3,642,079	4,494,348
Exchange rate adjustments	(3,812)	12,861
End of the period	2,488,154	2,889,250
Analysis of the balances of cash and cash equivalents		
Bank balance and cash – general accounts	3,037,780	3,340,168
Deposit pledged	(549,626)	(450,918)
End of the period	2,488,154	2,889,250

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 21 August 2012.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements.

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.

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

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

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments are relevant to the Group's financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. OPERATING INCOME AND OTHER NET INCOME

Continuing operations

Turnover from continuing 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 2012 HK\$'000	1 January to 30 June 2011 HK\$'000
Operating income		
Consultancy and management fee income	41,267	36,354
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	16,092	7,769
– advances to customers	125,286	132,743
– unlisted debt securities	24,051	2,763
– others	76	81
Dividend income		
– listed investments	323,505	247,294
– unlisted investments	1,409	322
Gross rental income from investment properties	1,030	1,579
	532,716	428,905
Other net income		
Net realised gain/(loss) on trading securities		
– equity securities	2,283	(49,525)
– debt securities	(4,281)	–
– derivatives	(4,105)	589
	(6,103)	(48,936)
Net unrealised gain/(loss) on trading investments		
– equity securities	(911)	(26,551)
– debt securities	15,231	(3,138)
– derivatives	206	(1,171)
Net gain on disposal of available-for-sale securities	375,165	433,071
Unrealised gain on financial assets designated at fair value through profit or loss	200,396	124,085
Unrealised gain on financial liabilities designated at fair value through profit or loss	14,573	8,268
Unrealised loss on notes payable	(14,222)	(8,329)
Net exchange (loss)/gain	(9,330)	5,146
Others	12,156	6,458
	587,161	488,903

4. INCOME TAX

The provision for Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the six months ended 30 June 2012. 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 2012 HK\$'000	1 January to 30 June 2011 HK\$'000
Current taxation		
– Hong Kong profits tax	(3,000)	(4,500)
– Overseas taxation	(156,663)	(162,832)
– Over provision in respect of Hong Kong profits tax in prior years	12,500	29,843
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	11,590	5,584
Income tax expense	(135,573)	(131,905)
Income tax charged from continuing operations	(135,573)	(127,405)
Income tax charged from discontinued operations	–	(4,500)
Income tax expense	(135,573)	(131,905)

5. DISCONTINUED OPERATIONS

On 18 May 2011, the Group completed the disposal of 51% interest in Everbright Securities (International) Limited (“Everbright Securities (International)”) to a subsidiary of Everbright Securities Company Limited (“Everbright Securities”), an associated company of the Group, at a consideration of HK\$891 million (“Disposal Consideration”). The principal activities of Everbright Securities (International) are investment banking, securities and wealth management business. This divestment generated a gain of HK\$512 million for the Group, representing the sum of the Disposal Consideration and the fair value of the remaining 49% equity interest of HK\$685 million, net of the net asset value of Everbright Securities (International) of HK\$1,064 million. Upon completion of the transaction, Everbright Securities (International) became a 49% owned associate of the Group, and its Board of Directors is composed of two nominees from the Group and three nominees from Everbright Securities.

Accordingly, the consolidated results of the operations of Everbright Securities (International) for the period ended 17 May 2011 are presented as discontinued operations for the same period last year in the financial statements.

6. DIVIDENDS

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

	1 January to 30 June 2012 HK\$'000	1 January to 30 June 2011 HK\$'000
– Interim dividend declared after the balance sheet date of HK\$0.11 (2011: HK\$0.15) per share	189,262	258,622

The directors proposed an interim dividend of HK\$0.11 per share (2011: HK\$0.15 per share) for the six months period ended 30 June 2012. The proposed dividends are not reflected as dividend payable in the financial statements.

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

	1 January to 30 June 2012 HK\$'000	1 January to 30 June 2011 HK\$'000
– Final dividend in respect of the previous financial year, approved and paid during the period of HK\$0.30 (2011: HK\$0.30) per share	516,169	517,244

7. OTHER COMPREHENSIVE INCOME

Reclassification adjustments relating to components of the other comprehensive income

	1 January to 30 June 2012 HK\$'000	1 January to 30 June 2011 HK\$'000
Available-for-sale securities:		
Changes in fair value recognised during the period	(58,618)	(880,555)
Reclassification adjustments for amounts transferred to profit or loss:		
– gain on disposal	(271,193)	(328,837)
– impairment losses	25,058	9,480
Net movement in investment revaluation reserve during the period recognised in other comprehensive income	(304,753)	(1,199,912)

8. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the six months period ended 30 June 2012 is based on the profit attributable to equity shareholders of the Company of HK\$766,555,000 (six months ended 30 June 2011: HK\$1,563,792,000) and the weighted average number of 1,720,561,712 shares (six months ended 30 June 2011: 1,724,048,267 shares and 1,724,118,656 for basic and diluted earnings per shares respectively) in issue during the period.

9. INVESTMENTS IN ASSOCIATES AND AMOUNTS DUE FROM/(DUE TO) ASSOCIATES

(a) Investments in associates

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Net carrying value	9,747,649	9,700,682
Market value of listed shares in mainland China	18,308,878	14,293,031

The Group's investment in the shares listed in mainland China, classified under investments in associates, has a lock-up period which was ended on 18 August 2012.

(b) As at 30 June 2012, 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	The PRC	Securities operations	33.33%
Everbright Securities (International) Limited	British Virgin Islands	Securities operations	49%*

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

For the six months ended 30 June 2012, Everbright Securities has recorded an after tax profit of RMB830 million (six months ended 30 June 2011: RMB1.10 billion) 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 2011: HK\$457 million). In addition to the remaining 49% stake of Everbright Securities (International), the Group is entitled to the results from its 33.33% share of Everbright Securities, which has a 51% stake in Everbright Securities (International).

(c) Amounts due from/(due to) associates

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

10. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES AND AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

(a) Investments in jointly controlled entities

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Share of net assets	543,076	488,529
Goodwill on acquisition	22,311	22,311
	565,387	510,840

(b) As at 30 June 2012, details of the Groups's investments in jointly controlled entities are 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 USD2,000,000	50.0%
			Class B Ordinary Shares USD20,000	50.1%
Everbright Guolian Capital Company Limited	The PRC	Venture capital and investment advisory	RMB150,000,000	50.0%*
T&C (Beijing) Asset Management Consulting Limited	The PRC	Provision of consultancy services	RMB8,000,000	51.0%*
光大新能低碳創業投資江蘇 有限公司	The PRC	Fund management	RMB300,000,000	50.0%*
China Aircraft Leasing Holdings Limited	Cayman Islands	Investment holding	HKD294,665,000	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 2012 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.

11. AVAILABLE-FOR-SALE SECURITIES

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
At fair value:		
Listed equity securities:		
– Hong Kong	291,526	376,654
– Outside Hong Kong	7,163,441	8,021,929
Unlisted equity securities	2,848,889	2,220,063
Unlisted debts securities	106,187	93,210
At cost (i):		
Unlisted equity securities	892,697	499,380
	11,302,740	11,211,236

- (i) At 30 June 2012, the investments were measured at cost less impairment because (a) the variability in the range of reasonable fair value estimates is significant for that investment; and (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Fair value of individually impaired available-for-sale equity securities listed in Hong Kong	37,828	89,513

As at 30 June 2012, certain of the Group's available-for-sale equity securities were individually determined to be impaired on the basis of a material decline in their fair value below cost and the cost of the Group's investment in them may not be recovered.

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

The Group held the following principal available-for-sale securities as at 30 June 2012:

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 2012, the carrying value of interests in Everbright Bank exceeded 10% of total assets of the Group.

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

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
At fair value:		
Hong Kong listed equity securities	60,640	59,926
Overseas listed equity securities	34,779	53,233
Overseas unlisted equity securities	912,795	635,467
Overseas unlisted convertible preference shares	20,511	20,530
Overseas unlisted debt securities	421,474	397,797
	1,450,199	1,166,953

Realised gain on disposal of certain financial assets designated at fair value through profit or loss will be subject to the payment of an incentive project 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.

13. ADVANCES TO CUSTOMERS

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Non-current assets		
Term loans to customers		
– secured	1,121,045	388,640
– unsecured	615,882	5,320
	1,736,927	393,960
Current assets		
Term loans to customers		
– secured	524,854	1,891,720
– unsecured	97,696	98,400
	622,550	1,990,120

Certain term loans to customers are secured by listed and unlisted securities, third party guarantees and/or leasehold land in mainland China.

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Account receivables, net	217,611	193,242
Deposits, prepayments and other receivables	400,564	529,237
	618,175	722,479

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

15. TRADING SECURITIES

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Current assets		
At fair value:		
Listed equity securities:		
– in Hong Kong	5,210	13,886
– outside Hong Kong	–	1,671
Listed debt securities:		
– outside Hong Kong	144,854	126,115
	150,064	141,672
Current liabilities		
At fair value:		
Listed equity index options (see note 23(c))	–	(206)

16. BANK LOANS

As at 30 June 2012, the bank loans were repayable as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Within 1 year	635,024	1,063,754
After 1 year but within 2 years	–	–
After 2 year but within 5 years	–	–
After 5 years	66,288	69,517
	66,288	69,517
	701,312	1,133,271

16. BANK LOANS *(continued)*

As at 30 June 2012, the bank loans were secured as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Bank Loans		
– secured	591,404	573,817
– unsecured	109,908	559,454
	701,312	1,133,271

As at 30 June 2012, bank loans of the Group of HK\$591,404,000 (2011: HK\$573,817,000) were secured by fixed deposits of certain subsidiaries and property situated in mainland China.

17. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Other creditors, deposits received and accrued charges	224,521	178,813

18. NOTES PAYABLE

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Unlisted notes issued by the Group, at fair value:		
Face value	174,540	666,540
Less: unrealised loss	(18,353)	(32,575)
	156,187	633,965

As at 30 June 2012, the Group has issued three notes to three independent third parties. Two notes were issued with a face value and carrying amount totalling RMB144,950,000 (2011: RMB144,950,000) and HK\$129,187,000 (2011: HK\$114,965,000) respectively. Under the terms of the notes, 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 notes.

The remaining note with a face value and carrying amount of HK\$27,000,000 was interest bearing and has fixed repayment terms.

19. MATURITY PROFILE
As at 30 June 2012

	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	97,696	97,696	427,158	1,736,927	–	2,359,477
– Trading securities	–	81,943	62,911	–	–	144,854
– Available-for-sale securities	–	–	–	90,615	15,572	106,187
– Financial assets designated at fair value through profit or loss	–	–	421,474	–	–	421,474
– Fixed deposits	–	1,007,275	–	–	–	1,007,275
	97,696	1,186,914	911,543	1,827,542	15,572	4,039,267
Liabilities						
– Bank loans	–	(525,116)	(109,908)	–	(66,288)	(701,312)
– Financial liabilities designated at fair value through profit or loss	–	–	(84,295)	–	–	(84,295)
– Notes payable	–	(129,187)	(27,000)	–	–	(156,187)
	–	(654,303)	(221,203)	–	(66,288)	(941,794)

As at 31 December 2011

	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	98,400	686,320	1,205,400	393,960	–	2,384,080
– Trading securities	–	69,864	56,251	–	–	126,115
– Available-for-sales securities	–	–	–	79,631	13,579	93,210
– Financial assets designated at fair value through profit or loss	–	–	397,797	–	–	397,797
– Fixed deposits	–	1,786,404	–	–	–	1,786,404
	98,400	2,542,588	1,659,448	473,591	13,579	4,787,606
Liabilities						
– Bank loans	–	(18,254)	(1,045,500)	–	(69,517)	(1,133,271)
– Financial liability designated at fair value through profit or loss	–	–	(79,559)	–	–	(79,559)
– Notes payable	–	(492,000)	(141,965)	–	–	(633,965)
	–	(510,254)	(1,267,024)	–	(69,517)	(1,846,795)

20. SHARE CAPITAL

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$1.00 each	2,000,000	2,000,000
<i>Issued and fully paid:</i>		
Beginning of period/year	1,720,562	1,723,563
Shares issued under share options scheme	–	583
Shares repurchased	–	(3,584)
End of period/year	1,720,562	1,720,562

21. MATERIAL RELATED PARTY TRANSACTIONS

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

	1 January to 30 June 2012 HK\$'000	1 January to 30 June 2011 HK\$'000
Management fee received from:		
– Jointly controlled entities	12,416	14,100
Loan interest income from:		
– a jointly controlled entity	10,393	–

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

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Amounts due from associates (included in debtors, deposits and prepayments)	106,733	170,248

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

(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.

22. CONTINGENT LIABILITIES

(a) Corporate guarantee

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries and associates	244,240	1,146,500

The Group's subsidiaries have utilised HK\$244,240,000 out of these banking facilities as at 30 June 2012 (31 December 2011: HK\$448,754,000).

(b) Incentive payment

According to an Incentive Agreement dated and announced on 25 May 2007, the Group is obligated to pay an incentive project 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 incentive project 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 incentive project bonus is recognised on the realisation of the relevant project. As at 30 June 2012, the accumulated unrealised gain associated with the relevant projects amounted to HK\$740 million (31 December 2011: HK\$728 million). If all relevant projects were disposed of on 30 June 2012 at their fair value, the amount of incentive project bonus payable to the investment team would be approximately HK\$68 million (31 December 2011: HK\$63 million) (see notes 11 and 12).

23. COMMITMENTS

(a) Capital commitments

As at 30 June 2012, the Group has the following capital commitments as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Contracted but not provided for	997,186	1,128,842
Authorised but not contracted for	48,848	–

(b) Operating lease commitments

Operating lease commitments as at 30 June 2012 amounted to approximately HK\$2,697,000 (31 December 2011: HK\$3,261,000) all of which (31 December 2011: HK\$3,062,000) is payable in the next twelve months. The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Not later than one year	2,697	3,062
Later than one year and not later than five years	–	199
	2,697	3,261

23. COMMITMENTS *(continued)***(c) Off-balance sheet exposure**

The contractual or notional amounts of the Group's trading equity derivatives outstanding at 30 June 2012 are detailed as follows:

	Contractual/ notional amounts	
	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
Listed equity index options	–	1,133

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 the Risk Management Group and execution is mainly 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.

(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.

24. FINANCIAL INSTRUMENTS *(continued)*

(a) Credit Risk *(continued)*

The Group has well defined policies in place on the setting and approval of trading, credit and investment position limits in order to manage its credit risk exposure and concentration. As at the balance sheet date, the Group does not have a significant concentration of credit risk other than the provision of advances to customers which are secured by residential leasehold land in the mainland and equity shares and third party guarantees of RMB600 million (31 December 2011: RMB400 million), HK\$486 million (31 December 2011: HK\$565 million) and HK\$427 million (31 December 2011: HK\$1,223 million) respectively.

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\$244 million (31 December 2011: HK\$1,147 million).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from advances to customers are set out in notes 13 and 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 position. To ensure strict compliance, the Group maintains adequate cash reserves to prepare for immediate fund injection if required. If there is a medium to long-term operational need, the management would also consider adjusting those subsidiaries' capital structure. Subsidiaries with external equity stakeholders are generally responsible for their own liquidity management.

(c) Interest rate risk

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

The Group's interest rate positions arise from treasury and operating activities. Interest rate risk arises in 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. It also relates to positions from non-interest bearing liabilities including shareholders' funds and current accounts, as well as from certain fixed rate loans. 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.

24. FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk

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

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

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 15), available-for-sale securities (see note 11), financial assets designated as fair value through profit or loss (see note 12) and financial liabilities designated as fair value through profit or loss. Other than those unlisted equity investments in capital and primary market, all of these investments are listed.

The Group's listed investments, other than some available-for-sale securities which are listed on the Shanghai Stock Exchange, are mainly listed on the Stock Exchange of Hong Kong 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 limited information available to the Group, periodically against performance of listed entities of comparable size and nature of businesses.

25. SEGMENT INFORMATION

Business segments

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:

Continuing operations

- Primary Market Investment – including:
 - Asset Investment – asset class specific long term investment in projects and equities, also targeting the management of investment funds focusing on real estate, infrastructure and resources assets; and
 - Direct Investment – investment in unlisted equity securities and/or equity derivatives with an ultimate objective of capital gain on investee's equity listing or, in some circumstances, prior to listing. It also includes specific project financing to external parties.
- Secondary Market Investment – management of absolute return and long-only funds with key focus on secondary market trading. Investment return on the Group's own capital seeded into those funds is included herewith.
- Structured Investment and Financing – 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 adhere to 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 & 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.

Discontinued operations

- Brokerage – brokerage services in securities, futures, bullion and leveraged foreign exchange trading, and margin financing to margin customers.
- Investment Banking – provision of corporate advisory, placing and underwriting services.

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.

25. SEGMENT INFORMATION *(continued)*
Business segments *(continued)*
For the six months period ended 30 June 2012:

	Continuing operations							Discontinued operations			Total HK\$000
	Primary Market Investment HK\$000	Secondary Market Investment HK\$000	Structured Investment & Financing HK\$000	Strategic Investment & Treasury HK\$000	Reportable segment total HK\$000	All other segments HK\$000	Sub-total HK\$000	Brokerage HK\$000	Investment Banking HK\$000	Sub-total HK\$000	
REVENUE											
Operating income from external customers	45,262	15,103	136,699	320,111	517,175	15,541	532,716	-	-	-	532,716
Other net income from external customers	214,036	15,339	380,227	-	609,602	(22,441)	587,161	-	-	-	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	-	-	-	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	-	-	-	946,218
Unallocated head office and corporate expenses							(103,446)			-	(103,446)
Share of profits less losses of associates, as per the associates' financial statements							330,270			-	330,270
Share of profits less losses of jointly controlled entities, as per the jointly controlled entities' financial statements							39,823			-	39,823
Adjustments to share of profits less losses to conform with the Group's accounting policies							(189,967)			-	(189,967)
Profit before taxation							1,022,898			-	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)		-	-		

25. SEGMENT INFORMATION (continued)

Business segments (continued)

For the six months period ended 30 June 2011 (restated):

	Continuing operations							Discontinued operations			Total HK\$000
	Primary Market Investment HK\$000	Secondary Market Investment HK\$000	Structured Investment & Financing HK\$000	Strategic Investment & Treasury HK\$000	Reportable segment total HK\$000	All other segments HK\$000	Sub-total HK\$000	Brokerage HK\$000	Investment Banking HK\$000	Sub-total HK\$000	
REVENUE											
Operating income from external customers	36,673	9,558	164,025	212,087	422,343	6,562	428,905	82,229	7,207	89,436	518,341
Inter-segment revenue	-	-	-	-	-	-	-	47	1,450	1,497	1,497
Operating income from external customers and inter-segment revenue	36,673	9,558	164,025	212,087	422,343	6,562	428,905	82,276	8,657	90,933	519,838
Other net income from external customers	441,263	(60,664)	96,950	(10,135)	467,414	21,489	488,903	2,799	-	2,799	491,702
Total operating income and other net income	477,936	(51,106)	260,975	201,952	889,757	28,051	917,808	85,075	8,657	93,732	1,011,540
RESULTS AND RECONCILIATION OF SEGMENT RESULTS											
Segment results before non-controlling interests	430,489	(77,412)	245,121	201,309	799,507	7,492	806,999	19,538	(2,461)	17,077	824,076
Unallocated head office and corporate expenses							(83,732)			(1,706)	(85,438)
Gain on disposal of subsidiaries							-			511,576	511,576
Share of profits less losses of associates, as per the associates' financial statements							457,101			-	457,101
Share of profits less losses of jointly controlled entities, as per the jointly controlled entities' financial statements							(10,219)			-	(10,219)
Adjustments to share of profits less losses to conform with the Group's accounting policies							(10,913)			-	(10,913)
Profit before taxation							1,159,236			526,947	1,686,183
Less: non-controlling interests	10,853	9,707	(11,170)	-	9,390	124					
Segments results	441,342	(67,705)	233,951	201,309	808,897	7,616		19,538	(2,461)		

25. SEGMENT INFORMATION (continued)
Business segments (continued)
As at 30 June 2012:

	Continuing operations							Discontinued operations			Eliminations HK\$000	Total HK\$000
	Primary Market Investment HK\$000	Secondary Market Investment HK\$000	Structured Investment & Financing HK\$000	Strategic Investment & Treasury HK\$000	Reportable segment total HK\$000	All other segments HK\$000	Sub-total HK\$000	Brokerage HK\$000	Investment Banking HK\$000	Sub-total HK\$000		
Segment assets	4,096,519	736,155	5,061,522	8,329,471	18,223,667	1,025,507	19,249,174	-	-	-	(4,630)	19,244,544
Investments in associates												9,747,649
Investments in jointly controlled entities												565,387
Amounts due from investee companies												104,114
Unallocated head office and corporate assets												661,554
Total assets												30,323,248
Segment liabilities	36,628	1,462	807,208	-	845,298	222,193	1,067,491	-	-	-	(4,630)	1,062,861
Provision for taxation												376,047
Deferred tax liabilities												240,296
Unallocated head office and corporate liabilities												110,868
Total liabilities												1,790,072

As at 31 December 2011 (restated):

	Continuing operations							Discontinued operations			Eliminations HK\$000	Total HK\$000
	Primary Market Investment HK\$000	Secondary Market Investment HK\$000	Structured Investment & Financing HK\$000	Strategic Investment & Treasury HK\$000	Reportable segment total HK\$000	All other segments HK\$000	Sub-total HK\$000	Brokerage HK\$000	Investment Banking HK\$000	Sub-total HK\$000		
Segment assets	3,492,397	939,126	4,863,901	9,896,686	19,192,110	1,023,434	20,215,544	-	-	-	(5,681)	20,209,863
Investments in associates												9,700,682
Investments in jointly controlled entities												510,840
Amount due from an investee company												111,823
Unallocated head office and corporate assets												567,208
Total assets												31,100,416
Segment liabilities	112,933	2,078	1,062,879	492,000	1,669,890	191,182	1,861,072	-	-	-	(5,681)	1,855,391
Provision for taxation												413,150
Deferred tax liabilities												319,787
Unallocated head office and corporate liabilities												239,360
Total liabilities												2,827,688

BUSINESS REVIEW AND PROSPECTS

Operating Results

For the first half of 2012, the global economy suffered from the adverse impact of the European debt crisis, and the economy of China was also undergoing a structural adjustment. The severe volatility of the global financial market posed a huge challenge to the Company and its subsidiaries (“the Group” or “Everbright”), in terms of business expansion and risk management capability.

In order to accommodate the needs of the regional economy and the Company’s development, the Group made appropriate adjustments to the “3+2” business structure during the first half of the year, while keeping its macro asset management strategy unchanged. The direct investment, asset investment and asset management divisions under “3” were realigned into three main segments: primary market investment, secondary market investment and structured investment and financing. Hong Kong’s investment banking and brokerage and wealth management divisions under “2” remained unchanged and continued to capitalise on its associated company, Everbright Securities’ advantageous position in the cross-border fee-based business. These adjustments aimed to bring a clearer picture of the Group’s business structure, which help us to optimally concentrate the resources and comparable advantages of each business segments, so as to realise a healthy growth in the long run.

During the review, the primary market investment business, with private equity funds, venture capital funds and sector focus funds as its cornerstones, experienced continuous growth of its asset management scale and increasing management fee income. The Group captured this opportunity to divest a few projects. The secondary market investment business, which focuses on the equity markets, completed the establishment of a brand new hedge fund platform and an IT system for asset management business, despite recording a slight loss from the investment activities. The structured investment and financing business, which was funded by internal capital, continued to generate rewarding interest income, investment income and service fee income. In addition, Everbright Securities, our associated company, saw a decrease in its revenues due to the continuous downtrend and the thin trading of the mainland stock market. Everbright Securities published an announcement on 1 August 2012 that it intended to issue not more than 600 million shares to specific investors by non-public placement. The Company intended to subscribe for 20 million shares therein. Everbright Bank has committed itself to pushing forward its H-share listing in Hong Kong to fulfill its capital needs for business expansion, whilst maintaining rapid growth.

As at 30 June 2012, the operating income of the Group amounted to HK\$533 million for the first half of the year, representing an increase of 23%. Profit after tax and non-controlling interests amounted to HK\$767 million, representing a decrease of 27% as compared with that for the same period last year after the deduction of the one-off gain from the divestment of its 51% shareholding in Everbright Securities (International) during the same period last year. Earnings per share decreased 26% to HK\$0.446. Due to the increase in management fee and dividend income as well as better return on investment, the profit before tax of the Hong Kong operations recorded a 16.6% increase to HK\$843 million for the first half of the year. Total expenses amounted to HK\$244 million, representing a decrease of 6.7% as compared with that for the same period last year, while total cost-to-income ratio was 22%, which was 4 percentage points lower than 26% for the same period last year. During the period, profit contribution from Everbright Securities decreased 24.5% to HK\$339 million (as per Everbright Securities’ financial statements) and dividend income after tax from Everbright Bank increased 43.1% to HK\$267 million.

As at 30 June 2012, the Group's investment projects performed well with stable fair value. The total equity attributable to equity shareholders of the Company increased 1.3% to HK\$26.8 billion as compared with that at the end of last year. The interest-bearing gearing ratio maintained a very low level of 2.6%. The healthy financial position created favourable opportunities for the Group to expand its scale of operations through mergers and acquisitions.

“3” Fund Investment and Management Operations

For the first half of the year, there were 10 funds under the macro asset management business of the Group, with a total fundraising scale exceeding HK\$15.9 billion.

The primary market investment business consists of SOF series of three private equity funds, three venture capital funds and three sector focus funds covering infrastructure, real estate and new energy. The primary market investment focuses on identifying investment opportunities from unlisted projects in China, making it the most competitive business segment within the Group. Currently, it has 40 investment projects with aggregate assets under management amounting to HK\$19.2 billion. In response to the slowdown of economic growth in China, various investment teams took a prudent investment approach and hence added only five new investments and divested a few projects. As a result, the primary market investment business reported earnings before tax of HK\$176 million, representing a decrease of 60% as compared with that for the same period last year.

- As at 30 June 2012, assets under management of the three offshore private equity funds (under our SOF series) were US\$620 million, with a total of 16 projects. These projects were all operating well and were in line with expectations. Among them, SOFI disposed of its remaining shares in Goldwind Science and Technology and recorded considerable profits. Out of the remaining four projects, China Sunshine Paper was listed in Hong Kong; Anhui Yingliu Group is progressing towards its final preparation for its A-shares listing in China following the approval by the Issue Examination Committee of the China Securities Regulatory Commission; and the public offer schedule for Global Data Solutions was slightly postponed due to the impact from the China stocks listed in the US. CSOF is currently in its divestment stage. Amongst its eight portfolio companies, Beingmate and iSoftStone were both listed while the remaining projects essentially in the domestic consumption arena have commenced capital restructuring and their listing schedules have been planned. The US\$400 million CSOFIII reviewed over 100 potential projects during the period. By taking a prudent investment approach, the fund slowed down the investment pace during the period with one new investment. Among the projects of the fund, besides “China Outfitters” and “Beijing Jingneng Clean Energy” which were already listed last year, another project, “Global Market”, was also successfully listed on the London Stock Exchange Alternative Investment Market in June 2012.

- Three RMB-denominated venture capital funds primarily invest in small cap high technology projects with assets under management of approximately RMB1,240 million. The venture capital funds added one new project during the period and held 15 projects in total as at 30 June 2012. The venture capital fund established with Beijing Zhongguancun completed all of its investments, some of which are actively preparing for listing in China. Jiawei Shenzhen PV Lighting Co. Ltd, which was invested in by one of the two venture capital funds established with the local enterprises in Wuxi City and Jiangyin City with a capital of RMB1,040 million in sum, was successfully listed on the GEM Board of the Shenzhen Stock Exchange on 11 May 2012.
- The three sector focus investment funds in real estate, infrastructure and low-carbon new energy focused on exploring opportunities from those China-based industries with mid- to long-term growth potential, and maximising the long-term benefits of these sectors.

Everbright Ashmore Real Estate Fund currently holds four commercial and retail property projects in China. The operational efficiency of Chongqing Imix Park Project has continued to increase, and the team is currently considering the proposed acquisition offered by external investors. The presale of Phase I residential units of the two commercial plus residential property projects in Shenyang received favourable response and selling prices continuously increased. Meanwhile, the fund also actively leveraged Everbright's network in China to establish a number of RMB-denominated funds targeted at individual property projects. As at 30 June 2012, the assets under management of this RMB-denominated fund amounted to approximately RMB3.02 billion. As at 30 June 2012, the management team of Everbright Ashmore Real Estate Fund managed assets in the amount of approximately US\$740 million equivalent, and had commenced the fundraising for the second tranche of the US dollar fund.

Macquarie Everbright Greater China Infrastructure Fund currently manages assets of approximately US\$755 million. It acquired 45% interest in a water supply project in Liaoning Province during the period. The project supplies water to the municipal city and urban area and its turnover has steadily increased. The fund also successfully made investments in an enterprise in Zhejiang Province which specialised in generating electricity through waste combustion after the reporting period in July. The Group believes that as the economy continues to grow, there is substantial room for growth of the infrastructure industry related to environmental protection. As a result of the monetary stringency in China, infrastructure funds with abundant cash on hand are able to make their investments at more reasonable costs, bringing substantial and stable long-term income to their investors.

- The Group's Low-Carbon New Energy Fund put its investment focus on new materials, energy saving and environmentally friendly projects. During the period, it made investment in an enterprise specialising in the manufacturing of cemented carbide tools, and had two investment projects.

The secondary market investment business focused on the investment opportunities of listed securities with the aim of offering clients more options for flexible asset allocation, in addition to investment business in the primary market. Based on the view that Chinese money increasingly looks to invest overseas and there is increasing demand for wealth management services, the Group will continue to build and strengthen the secondary market-focused investment platform with market competitiveness, while continuing to enhance the primary market-focused investment platform aimed at the China market.

During the first half of the year, the Group restructured its secondary market funds and discontinued the operation of the Dragon Fund. Accordingly, gross sales proceeds from securities trading recorded as the Group's turnover decreased. The Group also adjusted the investment portfolio comprising Hong Kong shares and A-shares with the support of the Company's seed capital, and obtained approval from the China Banking Regulatory Commission on our QDII trust scheme for bond investments in the Greater China Region, and fundraising is currently underway. In addition, we also seized the opportunity to engage a number of management teams for absolute return funds with proven track records and reputation in the markets and completed the establishment of a brand new absolute return fund platform and a corresponding IT system. In July, the Group launched two fund products designed to generate absolute returns under various market conditions and commenced making pilot investments, further enhancing the offerings of secondary market investment products and attracting external investors. Meanwhile, we continue to identify relatively large overseas asset management companies with sound management and proven track records as targets for mergers and acquisitions or for the establishment of joint ventures.

During the first half of 2012, the business of secondary market investments recorded a loss of HK\$11.92 million for the period. The business still suffered from the unfavourable global economy and the Eurozone debt crisis.

The structured investment and financing business continued to explore business opportunities for "investments + financing" with the support of the abundant financial resources of Everbright and the extensive business channels in the field of primary and secondary market investments. This business model allows Everbright to enjoy the benefits of these invested enterprises' long-term development potential and capital appreciation through listings. Through appropriate financing and prudent risk management, the Group supports the development of the investee companies and generates rewarding interest income.

During the first half of the year, this division had two new projects, and three projects had fully repaid principal and interest at the date of maturity. The team also took advantage of the recovery of the securities market in mainland China during the first quarter and realised high profits by disposing of part of its interests in an investment project. In order to achieve a healthy balance between returns and risk when providing financing to external clients, collateral with high value is required. Leveraging our experience in this line of business during the past two years, the Group is initiating a domestic Mezzanine Fund and an overseas Mezzanine Fund to diversify the investment risks and further enhance the offerings of asset management products of Everbright. Both funds have received favourable response from a number of institutional investors.

During the period, the division remained the profit growth driver of the Company as it generated interest income of HK\$112 million and investment income of HK\$346 million, and total profit before tax was HK\$360 million.

China Aircraft Leasing Company Limited, which was acquired by the Group last year, operated well, bringing the Group satisfactory profits. The company acquired a number of single aisle and double-aisle commercial aircrafts during the first half of the year. The number of aircrafts in operation increased to 15, which were chartered to sizable airlines in China. Subsequent to the introduction of China Aerospace Investment Holdings Ltd. as a strategic investor holding 8% interest, the Group's interest in the company decreased to 44.13% correspondingly. The company announced that it had purchased 36 new A320 Airbuses from Airbus S.A.S after the reporting period in July and continued to expand its scale of operations.

“2” Fee-based Operations (Everbright Securities (International))

In May 2011, the Group transferred a 51% stake of Everbright Securities (International), which comprised Hong Kong brokerage, wealth management and investment banking divisions, to its associated company, Everbright Securities. The Group continued to assist Everbright Securities (International) in the integration of its fee-based business platform in China and Hong Kong. As affected by the drop in transaction volume resulting from the weakening stock markets of both China and Hong Kong during the first half of the year, Everbright Securities (International) saw a significant decrease in revenues from brokerage commission, listing sponsorship and underwriting, representing a loss attributable to the Group of approximately HK\$8.5 million.

Financial Positions

As at 30 June 2012, the Group's total assets amounted to approximately HK\$30.3 billion, with cash on hand of approximately HK\$3.04 billion. Apart from current liabilities in the ordinary course of business and those related to derivative financial instruments, the Group's major liability is bank loans of approximately HK\$0.7 billion. Bank loans are obtained to finance the Group's working capital investment projects in mainland China. The actual borrowing depends on the Group's business and investment needs. As at 30 June 2012, the Group's borrowing facilities amounted to approximately HK\$1.48 billion. The Group's gearing ratio, calculated as interest bearing liabilities divided by shareholders' equity, was 2.6% as at 30 June 2012 (31 December 2011: 5.8%). The Group had no material exposure to foreign exchange fluctuations other than assets and bank loans denominated in Renminbi and US dollars.

Outlook

The global economy and financial situation remains complicated in the second half of 2012. While retreating for recovery, the United States will continue to take advantage of the status of the US dollar as a world currency, to relieve the impact of the financial tsunami by using Quantitative Easing. Europe, which has been competing with the U.S. for global economic leadership, is still facing the plight of the Eurozone as its economies were more severely hit than the U.S., where the financial tsunami was triggered, as a result of discrepancies in financial policies, product competitiveness and cultural differences in the European countries. With its low labour costs, China has established its reputation as a world factory over the past thirty years. However, in view of the deteriorating Gini coefficient and environmental problems, China has also started to construct a more sustainable economic structure, but the duration and severity of the hardship brought by this structural transformation is still uncertain.

Facing these uncertainties, the chance of the global economy regaining its rapid growth is slim despite various measures being taken by different countries. To maintain its resilience to risks brought about by the domino effect in the financial markets, the Group has to adhere to its approach of value investment and prudent financial policies.

It is, however, a time of opportunity for the Group. On the one hand, the Group and its funds with prudent investment approaches in recent years still hold abundant cash on hand and maintain a very low gearing ratio for such time when the global asset prices continued to fall. Such circumstances offer opportunities for us to attract talented financial professionals, expand our business with low costs and acquire projects with long-term growth potential. On the other hand, the outset of the reform of the financial system, as a key part of the current structural transformation of the Chinese economy, has also been seen. With a stable development of the offshore RMB market in Hong Kong, financial products such as RMB bonds and RQFII were launched. In addition, the establishment of pilot zones for economic reform in Wenzhou and Qianhai Special Economic Zone were approved and the Hong Kong government is in the process of establishing the Financial Services Development Council. All these developments indicate that the economic reform in China and cross-border financial integration of the mainland and Hong Kong are both gradually accelerating and will bring opportunities for the mid- to long-term growth of Everbright, which is currently undergoing business transformation for the construction of a larger and more diversified asset management portfolio.

In the second half of 2012 and in line with the development trends, the Group will continue to expand the size of its assets under management, divest some of its mature projects when opportunities arise, make appropriate project investments in a prudent manner, maintain stable growth of the structured investment and financing business, and strive to achieve breakthroughs in the expansion of various business platforms, so as to deliver continuous and stable returns from investments to our shareholders.

EMPLOYEES

As at 30 June 2012, the Group had 198 employees. Total staff costs for the period under review amounted to approximately HK\$131 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. Directors of the Company and full time employees of the Group may be granted share options to subscribe for shares in the Company in accordance with the terms and conditions of the share option scheme (the "Share Option Scheme") adopted by the Company at the extraordinary general meeting held on 24 May 2002 and the Share Option Scheme expired on 24 May 2012.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "CG Code") as set out in Appendix 14 to 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 2012 except the following deviation:

- Mr. Wang Weimin, a non-executive director, did not attend the annual general meeting of the Company held on 11 May 2012 due to his other commitment. This constitutes a deviation from the code provision of A.6.7 of the CG Code which requires, inter alia, independent non-executive directors and other non-executive directors to attend general meetings.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a "Code for Securities Transactions by Directors & Relevant Employees" which is no less exacting than the required standard set out in the "Model Code for Securities Transactions by Directors of Listed Companies" contained in 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 said Code and the Model Code for the six months ended 30 June 2012.

AUDIT AND RISK MANAGEMENT COMMITTEE

During the period, the Audit and Risk Management Committee comprised Mr. Ng Ming Wah, Charles, Mr. Seto Gin Chung, John and Dr. Lin Zhijun and the Committee was chaired by Mr. Ng Ming Wah, Charles. 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 2012.

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. Ng Ming Wah, Charles, Mr. Seto Gin Chung, John and Dr. Lin Zhijun, and to comply with the new requirement of the Listing Rules, the Committee was chaired by Mr. Seto Gin Chung, John, an independent non-executive director, from 1 April 2012.

NOMINATION COMMITTEE

During the period, the Nomination Committee had three members comprising Mr. Zang Qiutao, Deputy Chairman of the Board, and two independent non-executive directors, namely, Dr. Lin Zhijun and Mr. Seto Gin Chung, John, and to comply with the new requirement of the Listing Rules, the Committee was chaired by Dr. Lin Zhijun, an independent non-executive director, from 1 April 2012.

OTHER INFORMATION

Interim Dividend

The Board declared the payment of an interim dividend of HK\$0.11 per share for the six months ended 30 June 2012 (2011: HK\$0.15 per share) to those shareholders whose names appear on the register of members of the Company on Monday, 24 September 2012. Dividend cheques will be dispatched to shareholders of the Company on or about Thursday, 11 October 2012.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 24 September 2012 to Thursday, 27 September 2012 (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 Friday, 21 September 2012.

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
Chen Shuang
Chief Executive Officer
China Everbright Limited

Hong Kong, 21 August 2012

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Mr. Tang Shuangning (*Chairman*)
Mr. Zang Qiutao (*Deputy Chairman*)
Mr. Chen Shuang (*Chief Executive Officer*)
Mr. Tang Chi Chun, Richard
Mr. Jiang Yuanzhi

Independent Non-executive Directors:

Mr. Ng Ming Wah, Charles
Mr. Seto Gin Chung, John
Dr. Lin Zhijun
Dr. Chung Shui Ming, Timpson

Non-executive Director:

Mr. Wang Weimin