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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 2013

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 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 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 |

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 |
| <hr/> | | | |
| 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) |
| <hr/> | | | |
| Total comprehensive income for the period | | 1,181,331 | 821,421 |
| <hr/> | | | |
| Attributable to: | | | |
| Equity shareholders of the Company | | 873,145 | 848,008 |
| Non-controlling interests | | 308,186 | (26,587) |
| <hr/> | | | |
| Total comprehensive income for the period | | 1,181,331 | 821,421 |
| <hr/> | | | |

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 |
| 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 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

| | Note | Attributable to equity shareholders of the Company | | | | | | | | | | Non-controlling interests | Total equity |
|--|------|--|---------------|------------------------|--------------------------------|----------------------------|------------------|-----------------|------------------|-------------------|------------|---------------------------|--------------|
| | | Share capital | Share premium | Option premium 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 | 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 |

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 |

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*

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 nonfinancial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

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

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 |
| 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 |

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 HK\$'000 | 1 January to 30 June 2012 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 HK\$'000 | 1 January to 30 June 2012 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.

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) |

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 |

8. **INVESTMENTS IN ASSOCIATES** (*continued*)

(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).

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 is under investigation of the China Securities Regulatory Commission and the Shanghai Stock Exchange at the date of this announcement. As a result of the Incident, the relevant proprietary business and the underwriting business regarding non-financial corporate debt financing instruments of Everbright Securities are suspended. Everbright Securities is 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 does 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.

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 US\$2,000,000 Class B Ordinary Shares US\$20,000 | 50.0% 50.1% |
| 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.

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 |

10. AVAILABLE-FOR-SALE SECURITIES (continued)

- (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.

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 |

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)).

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

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.

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 |
| 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 |

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.

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 |

18. NOTES PAYABLE (continued)

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.

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) |

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 |

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 | – |

(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.

21. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Transactions with other PRC state-owned entities

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other 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.

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).

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 |

(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. SEGMENT INFORMATION

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

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

24. **SEGMENT INFORMATION** *(continued)*

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 | |

24. **SEGMENT INFORMATION** (continued)

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) | |

24. **SEGMENT INFORMATION** *(continued)*
Business segments *(continued)*
Other Information
As at 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 | Sub-total HK\$'000 | Eliminations HK\$'000 | Total HK\$'000 |
|--|---|---|---|---|--|--------------------------------------|-----------------------|--------------------------|-------------------|
| Segment assets | 6,588,687 | 1,977,894 | 3,755,596 | 8,765,483 | 21,087,660 | 2,330,163 | 23,417,823 | (2,396) | 23,415,427 |
| Investments in associates | | | | | | | | | 10,321,707 |
| Investments in jointly controlled entities | | | | | | | | | 562,368 |
| Amounts due from investee companies | | | | | | | | | 130,881 |
| Amounts due from jointly controlled entities | | | | | | | | | 14,299 |
| Amount due from an associate | | | | | | | | | 132,680 |
| Unallocated head office and corporate assets | | | | | | | | | 262,476 |
| Total assets | | | | | | | | | 34,839,838 |
| Segment liabilities | 32,727 | 431,368 | 406,985 | 1,000,756 | 1,871,836 | 213,301 | 2,085,137 | (2,396) | 2,082,741 |
| Amounts due to investee companies | | | | | | | | | 114,044 |
| Provision for taxation | | | | | | | | | 294,530 |
| Deferred tax liabilities | | | | | | | | | 161,113 |
| Unallocated head office and corporate liabilities | | | | | | | | | 1,123,729 |
| Total liabilities | | | | | | | | | 3,776,157 |

24. SEGMENT INFORMATION (continued)

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 |

BUSINESS REVIEW AND PROSPECTS

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.

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 confirm 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.

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.

➤ **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.

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.

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.

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\$77million 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.

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.

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.

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.

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

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.

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

Executive Director and Chief Executive Officer

Hong Kong, 29 August 2013

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. Seto Gin Chung, John
Dr. Lin Zhijun
Dr. Chung Shui Ming, Timpson

Non-executive Director:

Mr. Wang Weimin