光大控股
EVERBRIGHT

CHINA EVERBRIGHT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 165)

ANNOUNCEMENT
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

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 2011. 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 2011

	Notes	**1 January to 30 June 2011 HK$'000**	1 January to 30 June 2010 HK$'000 (Restated)
Continuing operations			
Turnover	3	**2,083,967**	661,020
Operating income	3	**428,905**	116,331
Other net income	3	**488,903**	11,712
Staff costs		**(103,376)**	(40,087)
Depreciation and amortisation expenses		**(7,579)**	(7,037)
Impairment loss on available-for-sale securities		**(9,480)**	(15,537)
Other operating expenses		**(45,549)**	(36,386)
Profit from operations		**751,824**	28,996
Finance costs		**(28,557)**	(11,409)
Share of profits less losses of associates	9(b)	**446,188**	297,473
Share of profits less losses of jointly controlled entities		**(10,219)**	(628)
Profit before taxation		**1,159,236**	314,432
Income tax (charged)/credit	4	**(127,405)**	66,429
Profit from continuing operations		**1,031,831**	380,861
Discontinued operations			
Gain on disposal of subsidiaries	5	**511,576**	–
Profit from discontinued operations	5	**10,871**	59,830
Profit for the period		**1,554,278**	440,691
Profit attributable to equity shareholders of the Company:			
Continuing operations		**1,041,345**	385,433
Discontinued operations		**522,447**	59,830
		1,563,792	445,263
Non-controlling interests		**(9,514)**	(4,572)
Profit for the period		**1,554,278**	440,691

CONSOLIDATED INCOME STATEMENT *(continued)*
For the six months ended 30 June 2011

	Notes	**1 January to 30 June 2011 HK$'000**	1 January to 30 June 2010 HK$'000 (Restated)
Basic earnings per share	8		
Continuing operations		**HK$0.604**	HK$0.242
Discontinued operations		**HK$0.303**	HK$0.037
		HK$0.907	HK$0.279
Diluted earnings per share	8		
Continuing operations		**HK$0.604**	HK$0.242
Discontinued operations		**HK$0.303**	HK$0.037
		HK$0.907	HK$0.279

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	**1 January to 30 June 2011 HK$'000**	1 January to 30 June 2010 HK$'000
Profit for the period		**1,554,278**	440,691
Other comprehensive income for the period (after tax and reclassification adjustments):			
Net movement in investment revaluation reserve of available-for-sale securities	7	**(1,199,912)**	1,363,350
Share of investment revaluation reserve and capital reserve of associates		**(68,413)**	(59,253)
Exchange reserve		**169,981**	120,219
		(1,098,344)	1,424,316
Total comprehensive income for the period		**455,934**	1,865,007
Attributable to:			
Equity shareholders of the Company		**318,342**	1,454,685
Non-controlling interests		**137,592**	410,322
Total comprehensive income for the period		**455,934**	1,865,007

CONSOLIDATED BALANCE SHEET
As at 30 June 2011

	Notes	**30 June 2011 HK$'000**	31 December 2010 HK$'000
Non-current assets			
Fixed assets		**558,215**	560,035
Investments in associates	9(a)	**9,799,360**	9,225,584
Investments in jointly controlled entities	10	**519,387**	84,863
Available-for-sale securities	11	**12,622,687**	13,533,672
Financial assets designated at fair value through profit or loss	12	**1,041,981**	907,656
Advances to customers	13	**388,990**	551,353
Amount due from an investee company		**145,728**	145,794
		25,076,348	25,008,957
Current assets			
Advances to customers	13	**1,585,394**	655,964
Amounts due from associates	9(c)	**1,097,718**	–
Amounts due from jointly controlled entities		**101,209**	–
Debtors, deposits and prepayments	14	**464,369**	515,805
Trading securities	15	**401,375**	716,200
Cash and cash equivalents		**3,340,168**	4,578,384
		6,990,233	6,466,353
Assets classified as held for sale	16	**–**	2,466,350
		6,990,233	8,932,703
Current liabilities			
Creditors, deposits received and accrued charges	18	**(247,998)**	(328,977)
Trading securities	15	**(328)**	–
Bank loans	17	**(857,383)**	(615,576)
Financial liability designated at fair value through profit or loss		**(111,755)**	–
Notes payable		**(151,624)**	(143,295)
Amounts due to associates	9(c)	**(438)**	(438)
Provision for taxation		**(394,273)**	(569,063)
		(1,763,799)	(1,657,349)
Liabilities classified as held for sale	16	**–**	(828,677)
		(1,763,799)	(2,486,026)
Net current assets		**5,226,434**	6,446,677
Total assets less current liabilities		**30,302,782**	31,455,634

CONSOLIDATED BALANCE SHEET *(continued)*
As at 30 June 2011

	Notes	30 June 2011 HK$'000	31 December 2010 HK$'000
Non-current liabilities			
Bank loans	17	**(70,832)**	(476,786)
Financial liability designated at fair value through profit or loss		**(61,769)**	(38,917)
Deferred tax liabilities		**(448,257)**	(768,460)
		(580,858)	(1,284,163)
NET ASSETS		**29,721,924**	30,171,471
CAPITAL AND RESERVES			
Share capital	21	**1,724,146**	1,723,563
Reserves		**26,220,370**	26,417,060
Total equity attributable to equity shareholders of the Company		**27,944,516**	28,140,623
Non-controlling interests		**1,777,408**	2,030,848
TOTAL EQUITY		**29,721,924**	30,171,471

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Note	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	Non-controlling interests HK$'000	Total equity HK$'000
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**
As at 1 January 2010		1,592,264	5,724,469	4,037	5,060,260	2,984	(924,395)	109,714	604,395	8,811,449	20,985,177	873,999	21,859,176
Shares issued under share option scheme		1,769	5,898	(2,252)	–	–	–	–	–	–	5,415	–	5,415
Net investment by non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	11,611	11,611
Dividends paid	6(b)	–	–	–	–	–	–	–	–	(318,792)	(318,792)	–	(318,792)
Profit for the period		–	–	–	–	–	–	–	–	445,263	445,263	(4,572)	440,691
Other comprehensive income for the period		–	–	–	863,638	–	–	–	145,784	–	1,009,422	414,894	1,424,316
As at 30 June 2010		1,594,033	5,730,367	1,785	5,923,898	2,984	(924,395)	109,714	750,179	8,937,920	22,126,485	1,295,932	23,422,417

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2011

	1 January to 30 June 2011 HK$'000	1 January to 30 June 2010 HK$'000
Net cash outflow from operating activities	**(1,894,951)**	(546,899)
Net cash (outflow)/inflow from investing activities	**(182,173)**	270,058
Net cash inflow from financing activities	**459,165**	342,387
Net (decrease)/increase in cash and cash equivalents	**(1,617,959)**	65,546
Cash and cash equivalents		
Beginning of the period	**4,494,348**	2,035,739
Exchange rate adjustments	**12,861**	31,483
End of the period	**2,889,250**	2,132,768
Analysis of cash and cash equivalents		
Bank balance and cash – general accounts	**3,340,168**	2,132,768
Deposit pledged	**(450,918)**	–
End of the period	**2,889,250**	2,132,768

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 25 August 2011.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

As a result of the disposal of 51% interest in Everbright Securities (International) Limited as disclosed in note 5, the consolidated results of the operations of this entity is presented as discontinued operations in the financial statements. Accordingly, the presentation of comparative information in respect of the period ended 30 June 2010 has been reclassified to conform to the current period's presentation.

2. CHANGES IN ACCOUNTING POLICIES

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

– HKAS 24 (revised 2009), Related party disclosures

– Improvements to HKFRSs (2010)

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

The above developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. As a result of these developments, the following amendments have been made to the disclosures included in this interim financial report:

– Transactions with government-related entities (note 22(c))

– Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments (notes 11 and 12)

3. OPERATING INCOME AND OTHER NET INCOME

Continuing operations

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

	1 January to 30 June 2011 HK$'000	1 January to 30 June 2010 HK$'000 (Restated)
Operating income		
Consultancy and management fee income	**36,354**	22,494
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	**7,769**	3,405
– advances to customers	**132,743**	46,825
– unlisted debt securities	**2,763**	12,165
– others	**81**	66
Dividend income		
– listed investments	**247,294**	23,959
– unlisted investments	**322**	6,627
Gross rental income from investment properties	**1,579**	790
	428,905	116,331
Other net income		
Net realised gain/(loss) on trading securities		
– equity securities	**(49,525)**	(15,294)
– debt securities	**–**	1,323
– derivatives	**589**	(17,538)
	(48,936)	(31,509)
Net unrealised gain/(loss) on trading securities		
– equity securities	**(26,551)**	(31,580)
– debt securities	**(3,138)**	(2,691)
– derivatives	**(1,171)**	31,828
Net gain on disposal of available-for-sale securities	**433,071**	14,035
Net realised loss on financial assets designated at fair value through profit or loss	**–**	(8,520)
Unrealised gain on financial assets designated at fair value through profit or loss	**124,085**	36,034
Unrealised gain on financial liabilities designated at fair value through profit or loss	**8,268**	–
Unrealised loss on notes payable	**(8,329)**	(4,091)
Net exchange gain	**5,146**	7,120
Others	**6,458**	1,086
	488,903	11,712

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.

4. INCOME TAX

The provision for Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the six months ended 30 June 2011. Taxation for overseas subsidiaries is calculated at the appropriate current rates of taxation in the relevant countries.

The amount of taxation (charged)/credited to the consolidated income statement represents:

	1 January to 30 June 2011 HK$'000	1 January to 30 June 2010 HK$'000
Current taxation		
– Hong Kong profits tax	**(4,500)**	(10,072)
– Overseas taxation	**(162,832)**	(7,447)
– Over provision in respect of Hong Kong profits tax in prior years	**29,843**	89,968
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	**5,584**	(14,399)
	(131,905)	58,050
Income tax (charged)/credited from continuing operations	**(127,405)**	66,429
Income tax charged from discontinued operations	**(4,500)**	(8,379)
Income tax (charged)/credited	**(131,905)**	58,050

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. Everbright Securities (International) Limited is primarily responsible for investment banking, securities and wealth management businesses, this divestment exercise generated a gain of HK$512 million for the Group. This gain accrued to the Group is based on the sum of the consideration of disposal of HK$891 million and the fair value of the remaining 49% equity interest, by reference to the Disposal Consideration, of HK$685 million measured against the net asset value of HK$1,064 million of Everbright Securities (International). 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 from Everbright Securities.

(a) An analysis of the results of the discontinued operations is as follows:

	1 January to 17 May 2011 HK$'000	1 January to 30 June 2010 HK$'000
Turnover	**91,353**	146,569
Operating income	**89,436**	143,671
Other net income	**2,799**	6,103
Staff costs	**(31,627)**	(32,355)
Depreciation and amortisation expenses	**(1,958)**	(40)
Other operating expenses	**(42,213)**	(48,118)
Profit from operations	**16,437**	69,261
Finance costs	**(1,066)**	(1,052)
Profit before taxation	**15,371**	68,209
Income tax	**(4,500)**	(8,379)
Profit from discontinued operations	**10,871**	59,830

(b) An analysis of the cash flows of the discontinued operations is as follows:

	1 January to 17 May 2011 HK$'000	1 January to 30 June 2010 HK$'000
Net cash inflow/(outflow) from operating activities	**128,853**	(168,471)
Net cash inflow/(outflow) from investing activities	**396,084**	(2,026)
Net increase/(decrease) in cash and cash equivalents	**524,937**	(170,497)

5. **DISCONTINUED OPERATIONS** *(continued)*

(c) **Disposal of Subsidiaries**

During the year, the Group disposed several subsidiaries. The gain on disposal is calculated as follows:

	17 May 2011 HK$'000
Proceeds from disposal of subsidiaries	**891,000**
Less: cash of subsidiaries	**(490,307)**
Net disposal proceeds	**400,693**
Less: Assets disposed, at carrying value	
Fixed assets	**(13,482)**
Trading rights	**(1,250)**
Debtors, deposits and prepayments	**(3,060,617)**
Deferred tax assets	**(200)**
Add: Liabilities disposed, at carrying value	
Bank loans	**1,281,921**
Creditors, deposits received and accrued charges	**726,739**
Amount due from associates	**482,523**
Provision for taxation	**10,402**
Add: Investment in associates, at fair value	**684,847**
Gain on disposal of subsidiaries	**511,576**

6. **DIVIDENDS**

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

	1 January to 30 June 2011 HK$'000	1 January to 30 June 2010 HK$'000
– Interim dividend declared after the balance sheet date of HK15 cents (2010: HK13 cents) per share	**258,622**	207,224

The directors proposed an interim dividend of HK15 cents per share (2010: HK13 cents per share) for the six months period ended 30 June 2011. The proposed dividends are not reflected as dividend payable in the financial statements.

(b) **Dividends attributable to the previous financial year, approved and paid during the period**

	1 January to 30 June 2011 HK$'000	1 January to 30 June 2010 HK$'000
– Final dividend in respect of the previous financial year, approved and paid during the period of HK30 cents (2010: HK20 cents) per share	**517,244**	318,792

7. OTHER COMPREHENSIVE INCOME

Reclassification adjustments relating to components of the other comprehensive income

	1 January to 30 June 2011 HK$'000	1 January to 30 June 2010 HK$'000
Available-for-sale securities:		
Changes in fair value recognised during the period	**(880,555)**	1,349,585
Reclassification adjustments for amounts transferred to profit or loss:		
– gain on disposal	**(328,837)**	(1,772)
– impairment loss	**9,480**	15,537
Net movement in investment revaluation reserve during the period recognised in other comprehensive income	**(1,199,912)**	1,363,350

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months period ended 30 June 2011 is based on the profit attributable to equity shareholders of the Company of HK$1,563,792,000 (six months ended 30 June 2010: HK$445,263,000) and the weighted average number of 1,724,048,267 shares (six months ended 30 June 2010: 1,593,034,702 shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months period ended 30 June 2011 is based on the profit attributable to equity shareholders of the Company of HK$1,563,792,000 (six months ended 30 June 2010: HK$445,263,000) and the weighted average number of 1,724,118,656 shares (six months ended 30 June 2010: 1,594,754,768 shares), adjusted for the effects of exercise of share options.

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

(a) Investments in associates

	30 June 2011 HK$'000	31 December 2010 HK$'000
Net carrying value	**9,799,360**	9,225,584
Market value of shares listed in China Mainland	**18,797,625**	20,351,040

The Group's investment in the shares listed in China Mainland, classified under investments in associates, has a lock-up period which will end in August 2012.

(b) As at 30 June 2011, 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 2011, Everbright Securities recorded an after tax profit of RMB1.10 billion (six months ended 30 June 2010: RMB0.78 billion) (according to HKFRSs) and the Group's share of profit, under equity accounting method, amounted to HK$438 million (six months ended 30 June 2010: HK$298 million). In addition to the remained 49% stake of Everbright Securities (International), the Group entitles to the profit from its 33.33% share of Everbright Securities, which controls 51% stake in Everbright Securities (International).

(c) Amounts due from/(to) associates

Amounts due from/(to) associates are interest free, unsecured and have no fixed terms of repayment except for an amount due from an associate of HK$150 million which is interest bearing and repayable within one year.

10. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

(a) Investments in jointly controlled entities

	30 June 2011 HK$'000	31 December 2010 HK$'000
Share of net assets	**519,387**	84,863

(b) As at 30 June 2011, details of the Groups's investments in jointly controlled entities are as follows:

Name of joint venture	**Place of incorporation/ operation**	**Principal activities**	**Particulars of issued capital**	**Percentage of equity interest held by the Company**
Everbright 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	Assets management	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 Island	Investment holding	HKD234,000,000	48.0%*

* Held indirectly

11. AVAILABLE-FOR-SALE SECURITIES

	30 June 2011 HK$'000	31 December 2010 HK$'000
At fair value:		
Listed equity securities:		
Listed in Hong Kong	**442,676**	99,713
Listed in Mainland China	**9,327,792**	10,884,864
Unlisted equity securities	**2,495,376**	2,276,821
Unlisted debts securities	**80,843**	–
At cost (i):		
Unlisted equity securities	**276,000**	272,274
	12,622,687	13,533,672

(i) At 30 June 2011, the investment was 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 2011 HK$'000	31 December 2010 HK$'000
Fair value of individually impaired available-for-sale equity securities:		
Listed in Hong Kong	**19,582**	25,034
Unlisted equity securities	**19,452**	37,145
	39,034	62,179

As at 30 June 2011, 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 adverse changes in the market in which these investees operated which indicated that the cost of the Group's investment in them may not be recovered.

The Group holds investment in equity securities in certain companies with fair value of HK$8,136 million in aggregate at 30 June 2011 (31 December 2010: HK$9,310 million). As at 31 December 2010, the fair value of the investments was previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As quoted prices in active markets, or inputs to valuation techniques directly or indirectly based on observable market data have become available the fair value measurements of these equity securities were accordingly transferred from Level 3 to Level 2 or Level 1of the fair value hierarchy during the period.

Realised gain on disposal of certain available-for-sale securities are subject to the payment of an incentive project bonus to an investment team (see note 23(b)).

11. AVAILABLE-FOR-SALE SECURITIES *(continued)*

The Group held the following principal available-for-sale security as at 30 June 2011:

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 2011, 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 2011 HK$'000	31 December 2010 HK$'000
At fair value:		
Hong Kong listed equity securities	**136,975**	161,945
Overseas unlisted equity securities	**579,252**	417,618
Overseas unlisted convertible preference shares	**16,908**	13,421
Overseas unlisted debt securities	**308,846**	314,672
	1,041,981	907,656

The Group holds investment in equity shares of a company with fair value of HK$93 million at 30 June 2011 (31 December 2010: HK$120 million). As at 31 December 2010, the fair value of the investment was previously determined to be Level 3 under the fair value hierarchy with a valuation technique that used significant unobservable inputs. During the current period, observable inputs were obtained and applied to the valuation technique, accordingly the investment was transferred from Level 3 to Level 2 of the fair value hierarchy during the period.

Realised gain on disposal of certain financial assets designated at fair value though profit or loss are subject to the payment of an incentive project bonus to an investment team (see note 23(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 profit is not yet recognised in profit or loss as follows:

	30 June 2011 HK$'000	31 December 2010 HK$'000
Beginning of period/year	**114,138**	324,439
Reduction	**–**	(210,301)
End of period/ year	**114,138**	114,138

13. ADVANCES TO CUSTOMERS

	30 June 2011 HK$'000	31 December 2010 HK$'000
Non-current assets		
Secured term loans to customers	**388,990**	551,353
Current assets		
Term loans to customers		
– secured	**1,489,394**	561,260
– unsecured	**96,000**	94,704
	1,585,394	655,964

Certain term loans to customers are secured by listed and/or unlisted securities and/or leasehold land in Mainland China.

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2011 HK$'000	31 December 2010 HK$'000
Accounts receivable, net	**148,033**	205,027
Deposits, prepayments and other receivables	**316,336**	310,778
	464,369	515,805

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

15. TRADING SECURITIES

	30 June 2011 HK$'000	31 December 2010 HK$'000
Current assets		
At fair value:		
Equity securities:		
– listed in Hong Kong	**232,756**	583,515
– listed outside Hong Kong	**3,489**	74,189
Debt securities		
– listed outside Hong Kong	**157,093**	13,331
– unlisted	**6,799**	–
Derivatives		
– unlisted	**1,238**	45,165
	401,375	716,200
Current liabilities		
At fair value:		
Derivatives:		
– unlisted	**(328)**	–

16. NET ASSETS HELD FOR SALE

The carrying amount of major classes of assets and liabilities classified as net assets held for sale are analysed as follows:

	30 June 2011 HK$'000	31 December 2010 HK$'000
Assets classified as held for sale		
Fixed assets	**–**	13,240
Intangible assets	**–**	1,250
Deferred tax assets	**–**	200
Advance to customers	**–**	1,198,239
Debtor, deposit and prepayment	**–**	887,358
Cash and cash equivalents	**–**	366,063
Total assets	**–**	2,466,350
Liabilities classified as held for sale		
Creditors, deposits received and accrued charges	**–**	(823,426)
Provision for taxation	**–**	(5,251)
Total liabilities	**–**	(828,677)

17. BANK LOANS

As at 30 June 2011, the bank loans were repayable as follows:

	30 June 2011 HK$'000	31 December 2010 HK$'000
Within 1 year	**857,383**	615,576
After 1 year but within 2 years	**–**	414,330
After 2 years but within 5 years	**–**	–
After 5 years	**70,832**	62,456
	70,832	476,786
	928,215	1,092,362

As at 30 June 2011, the bank loans were secured as follows:

	30 June 2011 HK$'000	31 December 2010 HK$'000
Bank Loans		
– secured by fixed deposits	**346,832**	358,406
– unsecured	**581,383**	733,956
	928,215	1,092,362

18. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30 June 2011 HK$'000	31 December 2010 HK$'000
Accounts payable	**–**	48,819
Other creditors, deposits received and accrued charges	**247,998**	280,158
	247,998	328,977

19. MATURITY PROFILE
As at 30 June 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	**96,000**	**251,596**	**1,237,798**	**388,990**	**–**	**1,974,384**
– Trading securities	**–**	**67,680**	**–**	**89,018**	**7,194**	**163,892**
– Available-for-sale securities	**–**	**–**	**–**	**64,837**	**16,006**	**80,843**
– Financial assets designated at fair value through profit or loss	**–**	**–**	**–**	**308,846**	**–**	**308,846**
– Amount due from associates	**647,718**	**–**	**450,000**	**–**	**–**	**1,097,718**
– Fixed deposits	**–**	**2,137,692**	**–**	**–**	**–**	**2,137,692**
	743,718	**2,456,968**	**1,687,798**	**851,691**	**23,200**	**5,763,375**
Liabilities						
– Bank loans	**–**	**(324,000)**	**(533,383)**	**–**	**(70,832)**	**(928,215)**
– Financial liability designated at fair value through profit or loss	**–**	**–**	**(111,755)**	**(61,769)**	**–**	**(173,524)**
– Notes payable	**–**	**(151,624)**	**–**	**–**	**–**	**(151,624)**
	–	**(475,624)**	**(645,138)**	**(61,769)**	**(70,832)**	**(1,253,363)**

19. MATURITY PROFILE *(continued)*

As at 31 December 2010

	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	–	–	655,964	551,353	–	1,207,317
– Trading securities	–	–	–	13,331	–	13,331
– Financial assets designated at fair value through profit or loss	–	–	–	314,672	–	314,672
– Fixed deposits	–	2,417,018	–	–	–	2,417,018
	–	2,417,018	655,964	879,356	–	3,952,338
Liabilities						
– Bank loans	–	–	(615,576)	(414,330)	(62,456)	(1,092,362)
– Financial liability designated at fair value through profit or loss	–	–	–	(38,917)	–	(38,917)
– Notes payable	–	–	(143,295)	–	–	(143,295)
	–	–	(758,871)	(453,247)	(62,456)	(1,274,574)

20. SEGREGATED ACCOUNTS NOT REFLECTED ON BALANCE SHEET

	30 June 2011 HK$'000	31 December 2010 HK$'000
Bank balances – segregated accounts	**–**	1,009,615
Receivable from clearing house and futures brokers	**–**	51,387
Amounts held on behalf of clients	**–**	(1,061,002)
	–	–

21. SHARE CAPITAL

	30 June 2011 HK$'000	31 December 2010 HK$'000
Authorised:		
Ordinary shares of HK$1.00 each	**2,000,000**	2,000,000
Issued and fully paid:		
Beginning of period/year	**1,723,563**	1,592,264
Share issued under placement	**–**	129,000
Share issued under share options scheme	**583**	2,299
End of period/year	**1,724,146**	1,723,563

22. RELATED PARTY TRANSACTIONS

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

	1 January to 30 June 2011 HK$'000	1 January to 30 June 2010 HK$'000
Management fee received from:		
– a subsidiary of jointly controlled company	**14,100**	2,013
Rental income from:		
– an associate of the Group	**610**	–

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

	30 June 2011 HK$'000	31 December 2010 HK$'000
Amount due from associates (included in debtors, deposits and prepayments)	**27,500**	50,817

Amount due from associates arose in the ordinary course of securities brokerage 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.

23. CONTINGENT LIABILITIES

(a) Corporate guarantee

	30 June 2011 HK$'000	31 December 2010 HK$'000
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries and associates	**1,214,000**	1,203,956

The Group's subsidiaries have utilised HK$744,000,000 out of these banking facilities as at 30 June 2011 (31 December 2010: HK$733,956,000). The remaining banking facilities of HK$470,000,000 provided by a financial institution to certain associates (31 December 2010: HK$470,000,000 provided by a financial institution to certain subsidiaries) are unutilised as at 30 June 2011.

As at 30 June 2011 and 31 December 2010, the Company also issued corporate guarantees to certain financial institutions for trading facilities granted to associates which engages in leveraged foreign exchange trading and carry out derivatives transactions. The guarantee amounts vary depending on the volume of transactions effected with the financial institutions.

(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 realization 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 2011, the accumulated unrealised gain associated with the relevant projects amounted to HK$1,382 million (31 December 2010: HK$2,170 million). If all relevant projects were disposed of on 30 June 2011 at their fair value, the amount of incentive project bonus payable to the investment team would be approximately HK$140 million (31 December 2010: HK$231 million).

24. COMMITMENTS

(a) Capital commitments

As at 30 June 2011, the Group has the following capital commitments as follows:

	30 June 2011 HK$'000	31 December 2010 HK$'000
Contracted but not provided for	**1,257,548**	1,111,371
Authorised but not contracted for	**60,000**	–

(b) Operating lease commitments

Operating lease commitments as at 30 June 2011 amounted to approximately HK$5,062,000 (31 December 2010: HK$20,565,000) of which approximately HK$3,503,000 (31 December 2010: HK$10,268,000) is payable in the next twelve months. The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2011 HK$'000	31 December 2010 HK$'000
Not later than one year	**3,503**	10,268
Later than one year and not later than five years	**1,559**	10,297
	5,062	20,565

(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 2011 are detailed as follows:

	Fair value assets/ (liabilities)		**Contractual/ notional amounts**	
	30 June 2011 HK$'000	31 December 2010 HK$'000	**30 June 2011 HK$'000**	31 December 2010 HK$'000
Long derivative contracts	**1,238**	45,165	**4,879**	24,877
Short derivative contracts	**(328)**	–	**32,500**	–

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.

25. FINANCIAL INSTRUMENTS

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

The Group's work in the area of risk management is led by the Chief Risk Officer and 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 business units focus, control and systematically avoid potential risk 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.

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 of RMB600 million (31 December 2010: RMB600 million) and HK$829 million (31 December 2010: HK$nil) 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 guarantees set out in note 23(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$1,214 million (31 December 2010: HK$1,204 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.

25. FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

For subsidiaries with statutory liquidity requirements, the Group monitors closely 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 monitors its interest rate exposure regularly to ensure that the underlying risk is monitored within an acceptable range. Most of the Group's interest-bearing assets and liabilities are on a floating rate basis with maturity of one to three 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.

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

(e) Equity price risk

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

26. 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 operation

- Asset Management – 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.

- 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.

- 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.

- Strategic Investment – 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 operation

- 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.

26. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

For the six months period ended 30 June 2011:

	Continuing operations							Discontinued operations			
	Asset Management HK$000	Asset Investment HK$000	Direct Investment HK$000	Strategic Investment 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	Total HK$000
REVENUE											
Operating income from external customers	**124,004**	**22,250**	**59,241**	**212,160**	**417,655**	**11,250**	**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	**124,004**	**22,250**	**59,241**	**212,160**	**417,655**	**11,250**	**428,905**	**82,276**	**8,657**	**90,933**	**519,838**
Other net income from external customers	**36,286**	**(7,457)**	**508,552**	**(10,135)**	**527,246**	**(38,343)**	**488,903**	**2,799**	**-**	**2,799**	**491,702**
Total operating income and other net income	**160,290**	**14,793**	**567,793**	**202,025**	**944,901**	**(27,093)**	**917,808**	**85,075**	**8,657**	**93,732**	**1,011,540**
RESULTS AND RECONCILIATION OF SEGMENT RESULTS											
Segment results before non-controlling interests	**129,066**	**(6,425)**	**510,251**	**201,309**	**834,201**	**(27,202)**	**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 profit less losses of associate							**446,188**			**-**	**446,188**
Share of profits less losses of jointly controlled entities							**(10,219)**			**-**	**(10,219)**
Profit before taxation							**1,159,236**			**526,947**	**1,686,183**
Less: non-controlling interests	**(1,463)**	**(684)**	**1,146**	**-**	**(1,001)**	**10,515**		**-**	**-**		
Segments results	**127,603**	**(7,109)**	**511,397**	**201,309**	**833,200**	**(16,687)**		**19,538**	**(2,461)**		

For the six months period ended 30 June 2010:

	Continuing operations							Discontinued operations			
	Asset Management HK$000 (Restated)	Asset Investment HK$000 (Restated)	Direct Investment HK$000 (Restated)	Strategic Investment HK$000 (Restated)	Reportable segment total HK$000 (Restated)	All other segments HK$000 (Restated)	Sub-total HK$000 (Restated)	Brokerage HK$000 (Restated)	Investment Banking HK$000 (Restated)	Sub-total HK$000 (Restated)	Total HK$000 (Restated)
REVENUE											
Operating income from external customers	33,165	12,366	60,516	5,430	111,477	4,854	116,331	128,533	15,138	143,671	260,002
Inter-segment revenue	–	–	2,596	–	2,596	–	2,596	84	1,180	1,264	3,860
Operating income from external customers and inter-segment revenue	33,165	12,366	63,112	5,430	114,073	4,854	118,927	128,617	16,318	144,935	263,862
Other net income from external customers	(51,997)	(2,006)	49,489	14,200	9,686	2,026	11,712	5,984	119	6,103	17,815
Total operating income and other net income	(18,832)	10,360	112,601	19,630	123,759	6,880	130,639	134,601	16,437	151,038	281,677
RESULTS AND RECONCILIATION OF SEGMENT RESULTS											
Segment results before non-controlling interests	(33,325)	(967)	73,473	18,211	57,392	2,458	59,850	65,494	5,786	71,280	131,130
Unallocated head office and corporate expenses							(42,263)			(3,071)	(45,334)
Share of profit less losses of associate							297,473			–	297,473
Share of profits less losses of jointly controlled entities							(628)			–	(628)
Profit before taxation							314,432			68,209	382,641
Less: non-controlling interests	821	203	1,371	–	2,395	2,177		–	–		
Segments results	(32,504)	(764)	74,844	18,211	59,787	4,635		65,494	5,786		

26. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

As at 30 June 2011:

	Continuing operations							Discontinued operations				
	Asset Management HK$000	Asset Investment HK$000	Direct Investment HK$000	Strategic Investment 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	Eliminations HK$000	Total HK$000
Segment assets	3,958,781	122,348	5,462,522	9,534,670	19,078,321	1,095,392	20,173,713	-	-	-	(24,653)	20,149,060
Investments in associates												9,799,360
Investments in jointly controlled entities												519,387
Amount due from an investee company												145,728
Amount due from associates												1,097,718
Amount due from jointly controlled entities												101,209
Unallocated head office and corporate assets												254,119
Total assets												32,066,581
Segment liabilities	47,595	12,642	1,137,804	61,769	1,259,810	224,264	1,484,074	-	-	-	(24,653)	1,459,421
Provision for taxation												394,273
Deferred tax liabilities												448,257
Unallocated head office and corporate liabilities												42,706
Total liabilities												2,344,657

As at 31 December 2010:

	Continuing operations							Discontinued operations				
	Asset Management HK$000 (Restated)	Asset Investment HK$000 (Restated)	Direct Investment HK$000 (Restated)	Strategic Investment HK$000 (Restated)	Reportable segment total HK$000 (Restated)	All other segments HK$000 (Restated)	Sub-total HK$000 (Restated)	Brokerage HK$000 (Restated)	Investment Banking HK$000 (Restated)	Sub-total HK$000 (Restated)	Eliminations HK$000 (Restated)	Total HK$000 (Restated)
Segment assets	3,050,867	314,033	5,986,210	11,202,078	20,553,188	1,288,937	21,842,125	2,433,235	33,115	2,466,350	(117,169)	24,191,306
Investments in associates												9,225,584
Investments in jointly controlled entities												84,863
Amount due from an investee company												145,794
Unallocated head office and corporate assets												294,113
Total assets												33,941,660
Segment liabilities	55,816	14,817	1,264,963	38,917	1,374,513	243,659	1,618,172	818,720	4,706	823,426	(117,169)	2,324,429
Provision for taxation												574,314
Deferred tax liabilities												768,460
Unallocated head office and corporate liabilities												102,986
Total liabilities												3,770,189

BUSINESS REVIEW AND PROSPECTS

Operational Results

For the first half of 2011, the developed economies experienced varying degrees of financial progress and challenges. Supported by extremely low interest rates and mild economic recovery, the stock market in the United States first reached its highest point since the financial tsunami, then began to fall due to concerns of whether there would be a double-dip recession. The European market experienced dramatic volatility due to debt crises in certain countries, while Japan remained economically gloomy, especially following the earthquake and nuclear incident. In the meantime, the Chinese economy managed to maintain its relatively fast growth momentum, primarily due to its determination to curb inflation by imposing rate hikes and banks' reserve ratio hikes, which effectively tightened control of the RMB's liquidity, domestic real estate industry and local financing platforms. Under these circumstances, Hong Kong's overall market situation remained relatively stable despite rising operating costs and occasional volatility in the financial market.

Against this global economic backdrop, the Company and its subsidiaries ("the Group" or "Everbright") placed strategic focus on private equity funds, venture capital funds and asset investments funds as cornerstones of its Macro Asset Management business philosophy. The fund business continued to grow prosperously during the period under review. There was significant growth in AUM during the six months to 30 June, growing investment income and asset management fees are achieved. Backed by strong resources from our headquarters, the newly established "investment and financing" business generated rewarding interest income. During the period under review, the Group completed the integration of its fee-based investment banking and brokerage business with Everbright Securities by sale of a 51% stake of Everbright Securities (International) to Everbright Securities. Despite some market corrections during the review period, Everbright Securities continued to thrive. Everbright Bank has committed to push forward with its H-share listing in Hong Kong to satisfy its capital needs for business expansion while keeping a rapid growth pace in China.

As of 30 June 2011, the Group reported profit after taxation and non-controlling interests of HK$1.6 billion, representing a substantial 253% increase. Earnings per share increased 225% to HK$0.907 over the same period last year. Apart from the profit contributions from Hong Kong's normal operations, equity sharing from Everbright Securities amounted to HK$438 million, while Everbright Bank contributed a dividend income of HK$207 million. The divestment of its 51% interest in Everbright Securities (International) produced an exceptional one-off gain of HK$512 million. As of 30 June 2011, the Group maintained a very low level of interest-bearing gearing ratio of 3.3%, while equity to shareholders amounted to HK$27.9 billion.

Hong Kong Operations

For the first half of 2011, the Group reported a total turnover of HK$2,175 million, representing an increase of 169% (1H2010: HK$808 million). Profit before taxation of the Hong Kong operations grew by 1,357% to HK$1,250 million. Total expenses drop by 48% to HK$262 million, leading to a cost-to-income ratio of 26%, a 59% improvement compared to 64% for the corresponding period of last year.

In terms of the component elements, the profit attributable to equity shareholders under Continuing Operations are HK$1,041 million; while the profit attributable to Discontinued Operations (inclusive of the Disposal Gain on the sale of the 51% of Everbright Securities International) are HK$522 million.

In the first half of 2011, the Group's Macro Asset Management business reported healthy growth and development. Number of Funds under management grew to a total of 12, with total funds raised exceeding HK$15.3 billion. The Group successfully captured investment and divestment opportunities in a timely and cost-effective manner, reaping huge investment returns. In addition, the successful integration with Everbright Securities laid a solid foundation for cross-border financial services and solutions in the second half of the year for our fee-based business.

"3" Fund Investment and Management Operations

Direct Investment Division targeted non-public enterprises with high growth potential and solid operational models for investment. During the review period, it maintained a healthy investment and divestment pipeline, recorded profit before taxation of HK$510 million, a substantial 594% increase year on year.

Amongst its three overseas private equity funds, Seabright China Special Opportunities (I) Limited ("SOF I") is already at its divestment stage. The management team captured the prime time in early 2011 for divestment, and two of its five remaining projects were recently listed, generated rewarding returns. The remaining three projects are in preparation for their IPO exercises. The China Special Opportunities Fund L.P. ("CSOF") and its "parallel investment fund" are also reaching the divestment stage. CSOF and its parallel investment fund have a total of eight investment projects, with the Zhejiang-based Beingmate successfully listed on the Shenzhen Stock Exchange in April, delivering substantial investment returns. The remaining projects are essentially in the domestic consumption arena, and it is expected they will be able to maintain high growth momentum due to supportive government policy encouraging domestic consumption. The "China Special Opportunities Fund III" is currently valued at USD400 million. During the review period, it had analysed over 100 potential projects and focused on medical care-related industries. Due to intense competition in the private equity sector in China, the Fund experienced a slower investment pace.

Amongst the three Mainland RMB-denominated venture capital funds, the venture fund established with Beijing Zhongguancun has completed all its investments, some of which are actively looking for ChiNext Board listing in China. The two venture capital funds established at Wuxi City and Jiangyin City, valued at RMB 500 million each, added 2 investment projects during the review period. One of these is moving towards the pre A-share IPO stage in China.

Asset Investment Division is focused on those Mainland China-based industries with mid-to-long-term growth potential. During the review period, the Division reported unprecedented growth; however, funds under its management were still in the investment and fundraising period, hence its investment value has not been fully reflected. In the first half of 2011, the Asset Investment Division reported a loss before taxation of HK$6.43 million.

A Chongqing commercial property invested by Everbright Ashmore China Real Estate Fund held its grand opening and achieved an occupancy rate of close to 90%, contributing to appreciation in its value. The increasingly tightening real estate credit policy in Mainland China created favourable conditions for the Fund to capture quality projects in general. The Fund is approaching commercial-residential projects in Shanghai, Shenyang and Qingdao. Macquarie Everbright Greater China Infrastructure Fund finished its first tranche of fundraising in early June at USD 479 million, increasing its capital pool to USD 729 million. Subscribers include very sizable pension funds from the Netherlands and South Korea. The successful fundraising exercise demonstrated overseas investors' confidence in Everbright and its investment capability in China. The investment team already sourced various quality projects and have them in the pipeline during the fund subscription period; the Team will roll out investments in the second half of the year. The Jiangsu, Jiangyin-based new energy fund completed all its legal procedures and held its shareholders and Board meetings in the first half of the year. It is now actively reviewing potential projects previously identified and planning for its first investment. Further, the Group successfully acquired 48% shareholding of China Aircraft Leasing Holdings Limited. With the advantage of the Group's success and experience in operation and solid financial strength, it set a firm foundation for further developing the financial leasing business and promoting aviation industry investment fund business.

Asset Management focused on investment opportunities from the secondary market. During the first half of 2011, the weakening regional markets impacted the "Dragon Fund" and "Equity Advantage Fund". These two funds had investment returns of –9.1% and –9.6% respectively, delivering performances similar to the drop in the Hang Seng Index. In order to improve the Group's profitability in the secondary market, the Group is looking for opportunities to introduce or acquire other asset management teams. In the first half of 2011, these two funds reported losses of HK$77 million.

As a strategically crucial supplement to the "3+2 Macro Asset Management" philosophy, the Group established a new business unit under Asset Management division to manage its capital investment and financing business in 2010. Leveraging the Group's capital-rich position, through stringent due diligence conducted on both the industry and the project itself and also high requirements of collaterals, the Group will adopt an "investment + financing" approach for projects of high potential but which are not directly suitable for investment by existing funds. This kind of business model not only allows the Group to enjoy the projects' long-term development benefits and capital appreciation from targeted IPO listings, but also supports the enterprises' business development, ultimately generating rewarding returns on its liquidity resources, while prudently managing risk. During the review period, the Division reported a profit before taxation of HK$206 million.

During the review period, Asset Management reported a profit before taxation of HK$129 million.

“2” Fee-based Business

During the review period, the integration of the Hong Kong-based investment banking and brokerage business with Everbright Securities was completed, with all legal procedures concluded in May 2011. After its integration, Everbright Securities became the controlling shareholder of the business with a 51% shareholding interest. Given its extensive customer base and network, the integration will enhance its income from comprehensive agency brokerage services and as IPO sponsors and underwriters. In addition to the entitled profit-sharing under its 49% shareholding, the Group also enjoyed added income-sharing via its shareholding at the Everbright Securities level. From this transaction, the Group secured a divestment cash consideration of HK$890 million, which will further strengthen its resources for the asset management business.

Brokerage and wealth management business targets mainly individual investors. During the period under review, due to global and China market uncertainties, Hong Kong’s securities market lacked market direction. Hence, overall transaction volume increased only slightly compared to the same period last year. Commission income and demand in margin financing from clients remained stable.

Investment banking business, while primarily focused on SMEs in the Mainland, sponsored Dragon Crown Group’s Main Board listing in Hong Kong in the first half of 2011 and was actively involved in sponsoring and underwriting the IPO exercise of Everbright Bank’s H-share listing. The Group’s share of profits in the brokerage and investment banking business up to 17 May 2011 was HK$10.87 million, a decrease of 82% over the same period last year.

The Hong Kong-based investment banking and securities brokerage business (renamed “Everbright Securities (International)”) then becomes a 49% owned associate of the Group effective on 18 May 2011. The equity sharing of profit up from 18 May 2011 to 30 June 2011 entitled by the Group is around HK$8 million.

Everbright Securities

Impacted by China’s rate hike in the first half of 2011, stock markets in Mainland China were weak. Despite slightly higher transaction volumes than the same period of 2010, the commission rate of the brokerage business dropped significantly. During the review period, Everbright Securities, in which the Group holds a 33.33% stake, was committed to expanding its investment banking, asset management and margin financing businesses, aiming to eliminate the impact of the decrease in commission income. Everbright Securities reported a total revenue of RMB2.95 billion. Its after-tax profits increased by 41% to RMB1.1 billion under Hong Kong Financial Reporting Standards in the first half year. There was significant growth in its equity issuance related and margin financing & stock lending related revenue. Brokerage commissions, equity issue and underwriting, asset management, interest income and other revenue accounted for 50%, 15%, 10% and 25% of Everbright Securities’ total revenue. As of 30 June 2011, Everbright Securities had 112 sales offices.

Everbright Bank
In the first half year, Everbright Bank, in which the Group holds a 4.51% interest, reported positive development across all its businesses with continuous improvements in asset quality. As of 30 June 2011, and based on the unaudited accounts prepared under PRC accounting standards, Everbright Bank's total assets and loan balance stood at RMB 1,662.1 billion and RMB 851.1 billion respectively, representing growth of 12% and 9.2%. Profit before tax amounted to RMB 12.3 billion, an increase of 33% compared to the same period last year. Non-performing loan ratio stood at 0.67%, 0.08 percentage points lower compared with the beginning of the year. The non-performing loans provisioning coverage ratio was 358.61%, an increase of 45.23% compared with the beginning of the year. Since the China Banking Regulatory Commission adopted more stringent capital requirements over domestic commercial banks, Everbright Bank is actively preparing for issuance of H-shares in Hong Kong during the review period to enhance its capital strength. As of 30 June 2011, Everbright Bank had 635 branches.

Financial positions
As at 30 June 2011, the Group's total assets amounted to approximately HK$32.07 billion, with cash on hand of approximately HK$3.34 billion. Apart from current liabilities in the ordinary course of business and those related to investment in derivative financial instruments, the Group's major liability are bank loans of approximately HK$928 million. Bank loans are obtained to finance the Group's working capital investment projects in the Mainland.

The actual borrowing depends on the Group's business and investment needs. As at 30 June 2011, the Group's committed borrowing facilities amounted to approximately HK$1.58 billion. The Group's gearing ratio, calculated as interest-bearing liabilities divided by shareholders' equity was 3.3% as at 30 June 2011 (31 December 2010: 3.9%). The Group had no material exposure to foreign exchange fluctuations other than assets and bank loans denominated in Renminbi and United States Dollar.

Except for those disclosed in the notes to financial statements, the Group did not have any material contingent liabilities as at 30 June 2011. The Group had given guarantees in respect of banking facilities available to subsidiaries amounting to approximately HK$1.21 billion. As at 30 June 2011, the Company had also provided guarantees in favour of financial institutions in respect of trading limits of associates engaged in leverage forex trading and derivatives trading. The amount of such guaranteed liabilities varies according to the value of transactions.

Outlook
Given the initial modest signs of economic recovery from the United States, there is limited room for the Federal Reserve to announce rate hikes in the second half of the year, which will contribute to a relaxed capital and lending market. Despite only a few member countries are facing the European sovereign debt crisis, the overall stability of the Euro-zone is an issue that inevitably affects the capital market. However, under the mutual understanding of the need to maintain stability for the Euro-zone, various measures such as support of the European bond market by the ECB were undertaken. Hence, there is currently concern but no immediate risk of meltdown. In China, the economic structural adjustment is challenging, and inflation risk remains prevalent. Therefore, the tightened monetary policy will prevail for some time. With these external

factors, Hong Kong's financial market is expected to remain uncertain in the second half of the year. However, with the increasing demand for offshore investments by China enterprises and individuals, and the progressive development of RMB internationalization, our "Macro Asset Management" business will continue to see ample development and business potential.

In the second half of 2011, our Macro Asset Management business is expected to maintain its stable growth momentum. On the one hand, fundraising for the Macquarie Everbright Infrastructure Fund (Phase 2 and its RMB-denominated fund) has already commenced, and the Everbright Ashmore China Real Estate Fund (RMB-denominated) will soon complete its fundraising, which will further boost the investment funds' scale. On the other hand, the "SOF I", "CSOF" and venture capital funds are progressively looking forward to facilitate listing process for the remaining projects and exit opportunities which will generate rewarding cash returns.

The investment teams will continue to take a prudent and pragmatic approach to exploring rewarding investment projects with good potential by leveraging the strength of the parent company, Everbright Group, to build up an even healthier investment pipeline and investment/ divestment cycle. Furthermore, the Group will take full advantage of its strong balance sheet to expand into secondary market funds by proactive expansion and acquisitions. The Investment and Financing business is also expected to generate lucrative returns from the Group's ample capital reserve, bringing satisfactory interest income, filling in the gap created by the divestment of 51% of the fee-based business. For the remaining 49% share in Hong Kong operations' fee-based business, the Group will jointly develop a more extensive cross-border financing service platform with Everbright Securities to generate more benefits to our shareholders.

EMPLOYEES

As at 30 June 2011, the Group had 152 employees. 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 approved by the Company at an extraordinary general meeting held on 24 May 2002.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited for the six months ended 30 June 2011.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a "Code for Securities Transactions by Directors" 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 2011.

AUDIT AND RISK MANAGEMENT COMMITTEE

During the period, the Audit and Risk Management Committee comprises Mr. Ng Ming Wah, Charles, Mr. Seto Gin Chung, John and Dr. Lin Zhijun. The Committee is 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 2011.

REMUNERATION COMMITTEE

The Remuneration Committee currently has 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.

OTHER INFORMATION

Interim Dividend

The Board of Directors declared the payment of an interim dividend of HK15 cents per share for the six months ended 30 June 2011 (2010: HK13 cents per share) to those shareholders whose names appear on the register of members of the Company on Monday, 26 September 2011. Dividend cheques will be dispatched to shareholders on or about 13 October 2011 (Thursday).

Closure of Register of Members

The register of members of the Company will be closed from Monday, 26 September 2011 to Thursday, 29 September 2011 (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, 23 September 2011.

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, 25 August 2011

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

Non-executive Director
Mr. Wang Weimin

Independent Non-executive Directors:
Mr. Ng Ming Wah, Charles
Mr. Seto Gin Chung, John
Dr. Lin Zhijun