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光大控股
EVERBRIGHT

CHINA EVERBRIGHT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 165)

ANNOUNCEMENT
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the "Board") of China Everbright Limited (the "Company") is pleased to announce that the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 together with relevant comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2013

	Notes	**2013 HK$'000**	2012 HK$'000 (Restated)
Turnover	*3*	**8,157,205**	4,050,657
Operating income	*3*	**1,161,872**	889,790
Other net income	*3*	**1,137,504**	1,081,924
Staff costs		**(281,188)**	(249,183)
Depreciation expenses		**(20,625)**	(19,426)
Impairment loss on available-for-sale securities		**(21,150)**	(61,739)
Impairment loss on amount due from an investee company		**(2,016)**	(12,786)
Impairment loss on debtors, deposits and prepayments		**(57,000)**	–
Other operating expenses		**(252,485)**	(149,621)
Profit from operations		**1,664,912**	1,478,959
Finance costs		**(108,460)**	(66,101)
Share of profits less losses of associates, as per the associates' financial statements	*7(b)*	**121,581**	414,590
Share of profits less losses of joint ventures, as per the joint ventures' financial statements	*8(b)*	**93,522**	39,510
Adjustments to share of profits less losses to conform with the Group's accounting policies		**28,085**	(285,399)
Profit before taxation		**1,799,640**	1,581,559
Income tax	*4*	**(51,742)**	(213,837)
Profit for the year		**1,747,898**	1,367,722

	Notes	**2013**	2012
		HK$'000	HK$'000
			(Restated)
Profit attributable to equity shareholders of the Company		**1,346,548**	1,141,555
Non-controlling interests		**401,350**	226,167
Profit for the year		**1,747,898**	1,367,722
Basic and diluted earnings per share	*6*	**HK$0.783**	HK$0.663

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**1,747,898**	1,367,722
Other comprehensive income for the year (after tax and reclassification adjustments):		
Items that will not be reclassified subsequently to income statement		
– Share of other comprehensive income of a joint venture, as per the joint venture's financial statements	**(8,471)**	557
Items that may be reclassified subsequently to income statement		
– Net movement in investment revaluation reserve of available-for-sale securities	**(493,782)**	304,707
– Share of other comprehensive income of associates, as per the associates' financial statements	**356,558**	387,072
– Adjustments to share of other comprehensive income of associates to conform with the Group's accounting policies	**(36,277)**	256,291
– Exchange reserve	**72,755**	59,216
	(109,217)	1,007,843
Total comprehensive income for the year	**1,638,681**	2,375,565
Attributable to:		
Equity shareholders of the Company	**1,173,839**	2,352,096
Non-controlling interests	**464,842**	23,469
Total comprehensive income for the year	**1,638,681**	2,375,565

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Notes	31 December 2013 HK$'000	31 December 2012 HK$'000
Non-current assets			
Fixed assets		**574,979**	576,624
Amounts due from investee companies	*12*	**159,469**	98,781
Investments in associates	*7*	**10,684,673**	10,135,102
Investments in joint ventures	*8*	**721,404**	441,554
Available-for-sale securities	*9*	**13,042,551**	12,486,586
Financial assets designated at fair value through profit or loss	*10*	**3,328,790**	2,016,894
Advances to customers	*11*	**241,765**	1,133,900
		28,753,631	26,889,441
Current assets			
Advances to customers	*11*	**2,294,352**	1,323,876
Amount due from an investee company	*12*	**9,542**	18,660
Amount due from an associate	*7*	**19,818**	–
Amount due from joint ventures		**4,435**	4,236
Debtors, deposits and prepayments	*13*	**1,558,192**	553,221
Trading securities		**649,822**	803,844
Cash and cash equivalents		**3,764,978**	2,664,801
		8,301,139	5,368,638
Current liabilities			
Amount due to an investee company	*12*	**(80,339)**	–
Amount due to an associate		**–**	(438)
Amount due to a joint venture		**(2,197)**	(5,756)
Trading securities		**(256,921)**	(175,725)
Bank loans	*14*	**(2,009,663)**	(527,000)
Amount due to a fellow subsidiary and shareholder	*15*	**(500,000)**	–
Creditors, deposits received and accrued charges	*16*	**(749,835)**	(309,018)
Financial liabilities designated at fair value through profit or loss		**(7,268)**	(97,495)
Notes payable		**(47,000)**	(135,540)
Provision for taxation		**(302,561)**	(355,372)
		(3,955,784)	(1,606,344)
Net current assets		**4,345,355**	3,762,294
Total assets less current liabilities		**33,098,986**	30,651,735

	Notes	31 December 2013 HK$'000	31 December 2012 HK$'000
Non-current liabilities			
Bank loans	*14*	**(1,085,274)**	(512,401)
Note payable		**–**	(20,000)
Deferred tax liabilities		**(284,799)**	(163,055)
		(1,370,073)	(695,456)
NET ASSETS		**31,728,913**	29,956,279
CAPITAL AND RESERVES			
Share capital	*17*	**1,720,100**	1,720,562
Reserves		**26,983,887**	26,391,440
Total equity attributable to equity shareholders of the Company		**28,703,987**	28,112,002
Non-controlling interests		**3,024,926**	1,844,277
TOTAL EQUITY		**31,728,913**	29,956,279

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

		Attributable to equity shareholders of the Company											
	Notes	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 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		–	–	–	–	–	–	–	–	–	–	13,417	13,417
Dividends paid	*5*	–	–	–	–	–	–	–	–	(705,431)	(705,431)	–	(705,431)
Profit for the year		–	–	–	–	–	–	–	–	1,141,555	1,141,555	226,167	1,367,722
Other comprehensive income for the year		–	–	557	1,061,127	–	–	–	148,857	–	1,210,541	(202,698)	1,007,843
As at 31 December 2012 and 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		–	–	–	–	–	–	–	–	–	–	715,807	715,807
Transfer of available-for-sale securities by the Company to Social Security Fund		–	–	–	(99,260)	–	–	–	–	(30,712)	(129,972)	–	(129,972)
Share repurchased	*17*	(462)	–	–	–	462	–	–	–	(4,587)	(4,587)	–	(4,587)
Dividends paid	*5*	–	–	–	–	–	–	–	–	(447,295)	(447,295)	–	(447,295)
Profit for the year		–	–	–	–	–	–	–	–	1,346,548	1,346,548	401,350	1,747,898
Other comprehensive income for the year		–	–	554	(510,996)	–	–	–	337,733	–	(172,709)	63,492	(109,217)
As at 31 December 2013		1,720,100	7,890,967	1,242	5,158,809	7,030	(668,499)	182,900	2,027,007	12,384,431	28,703,987	3,024,926	31,728,913

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(62,307)**	(604,265)
INVESTING ACTIVITIES		
Purchase of fixed assets	**(16,458)**	(20,635)
Proceeds from disposal of fixed assets	**20**	4
Proceeds from disposal of joint ventures	**5,956**	–
(Increase)/decrease in deposits pledged	**(667,576)**	340,483
Purchase of available-for-sale securities	**(1,914,042)**	(1,457,866)
Purchase of financial assets designated at fair value through profit or loss	**(1,588,511)**	(430,177)
Investment in an associate	**(229,695)**	(37,320)
Acquisition of a subsidiary net of cash acquired	**–**	66,669
Investment in joint ventures	**(192,179)**	(100,000)
Proceeds from disposal of available-for-sale securities	**1,544,885**	1,317,205
Proceeds from disposal of financial assets designated at fair value through profit or loss	**127,220**	–
Proceeds from disposal of an associate	**39,127**	–
Bank interest received	**50,636**	31,424
Dividends from investments in securities	**573,705**	564,376
Dividend from an associate	**132,188**	363,548
Dividend from joint ventures	**9,228**	–
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES	**(2,125,496)**	637,711
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING ACTIVITIES	**(2,187,803)**	33,446
FINANCING ACTIVITIES		
Issue of shares in subsidiaries to non-controlling shareholders	**875,045**	74,640
Redemption of shares by non-controlling shareholders	**(153,912)**	(37,035)
Shares repurchased	**(4,587)**	–
Proceeds from bank loans	**3,035,382**	527,000
Proceeds from loan from a fellow subsidiary and shareholder	**1,000,000**	–
Repayment of loan from a fellow subsidiary and shareholder	**(500,000)**	–
Proceeds from notes payable	**–**	20,000
Repayment of bank loans	**(991,638)**	(620,870)
Repayment of notes payable	**(209,903)**	(555,605)
Dividend paid to non-controlling shareholders	**(5,318)**	(22,439)
Dividends paid	**(447,295)**	(705,431)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**2,597,774**	(1,319,740)

	2013 HK$'000	2012 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**409,971**	(1,286,294)
CASH AND CASH EQUIVALENTS		
Beginning of year	**2,401,106**	3,642,079
Exchange rate adjustments	**22,630**	45,321
End of year	**2,833,707**	2,401,106
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash – general accounts	**3,764,978**	2,664,801
Deposits pledged	**(931,271)**	(263,695)
End of year	**2,833,707**	2,401,106

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The financial report, which has been reviewed by the Company's Audit and Risk Management Committee, is prepared on a basis consistent with the accounting policies and methods adopted in the 2012 annual financial statements except for the changes in accounting policies described in note 2. The financial information set out in this report does not constitute the Group's statutory financial statements for the year ended 31 December 2013, but is derived from those financial statements.

In view of the development of the Group's business strategies, management has re-considered the components of the Group's principal activities and considered that the income arising from trading securities forms part of the Group's operating income. Accordingly, the "net realised gain/(loss) on trading securities" and "net unrealised gain/(loss) on trading securities" are now reclassified from "other net income" to "operating income". Comparative figures have been restated to conform with current year's presentation.

The adjustments made to the financial information of associates and joint ventures to conform them to the Group's accounting policies are disclosed separately in the consolidated income statement and consolidated statement of comprehensive income.

Management believes that such presentations are more 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 and the Company. 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 11, *Joint arrangements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Annual improvements to HKFRSs 2009-2011 cycle
- Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

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

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 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated income statement and statement of 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 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

Amendments to HKFRS 7 – 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.

3. TURNOVER, OPERATING INCOME AND OTHER NET INCOME

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

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

	2013	2012
	HK$'000	HK$'000
		(Restated)
Operating income		
Consultancy and management fee income	**303,542**	166,099
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	**50,636**	31,424
– advances to customers	**207,946**	261,137
– unlisted debt securities	**24,265**	18,880
Dividend income		
– listed investments	**182,974**	341,597
– unlisted investments	**391,236**	18,430
Net realised gain/(loss) on trading securities		
– equity securities	**27,133**	21,559
– debt securities	**(261)**	(4,716)
– derivatives	**(2,690)**	(6,760)
Net unrealised gain/(loss) on trading securities		
– equity securities	**11,957**	13,530
– debt securities	**(38,150)**	28,290
– derivatives	**193**	(2,056)
Gross rental income from investment properties	**3,091**	2,376
	1,161,872	889,790
Other net income		
Net realised gain on disposal of available-for-sale securities	**758,754**	683,395
Realised loss on disposal of financial assets designated at fair value through profit or loss	**(445)**	–
Realised gain on disposal of financial liabilities designated at fair value through profit or loss	**5,131**	–
Unrealised gain on financial assets designated at fair value through profit or loss	**368,464**	419,038
Unrealised gain on financial liabilities designated at fair value through profit or loss	**–**	8,170
Gain/(loss) on disposal of fixed assets	**20**	(34)
Reversal of impairment loss on amount due from an investee company	**62,661**	–
Realised gain on disposal of associate	**960**	–
Realised gain on disposal of joint venture	**5,956**	–
Realised loss on note payable	**(101,363)**	(29,433)
Unrealised loss on notes payable	**–**	(27,747)
Net exchange gain/(loss)	**4,954**	(6,888)
Net surplus on revaluation of investment properties	**2,470**	5,880
Others	**29,942**	29,543
	1,137,504	1,081,924

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 year. 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:

	2013	2012
	HK$'000	HK$'000
Current taxation		
– Hong Kong profits tax	**(12,323)**	(6,234)
– Overseas taxation	**(86,946)**	(242,557)
– Over provision in respect of Hong Kong profits tax in prior years	**49,760**	25,046
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	**(2,233)**	9,908
Income tax expense	**(51,742)**	(213,837)

Reconciliation between tax expense and accounting profit at applicable tax rate:

	2013	2012
	HK$'000	HK$'000
Profit before taxation	**1,799,640**	1,581,559
Calculated at the rates applicable to profits in the tax jurisdictions concerned	**338,806**	478,799
Tax effect of income not subject to taxation	**(345,977)**	(353,641)
Tax effect of expenses not deductible for taxation purpose	**73,513**	91,385
Tax effect of utilisation of previously unrecognised losses	**(9,104)**	(5,616)
Tax effect of tax losses and other deductible temporary differences not recognised	**44,264**	27,956
Over provision in respect of prior years	**(49,760)**	(25,046)
Income tax expense	**51,742**	213,837

5. DIVIDENDS

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

	2013	2012
	HK$'000	HK$'000
– Interim dividend declared and paid of HK$0.11 (2012: HK$0.11) per share	**189,211**	189,262
– Final dividend proposed after the balance sheet date of HK$0.20 (2012: HK$0.15) per share	**337,051**	258,084
	526,262	447,346

The directors proposed a final dividend of HK$0.20 per share for the year ended 31 December 2013 (2012: HK$0.15 per share). The proposed dividends are not reflected as dividend payable in the financial statements.

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

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

6. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the year ended 31 December 2013 is based on the profit attributable to equity shareholders of the Company of HK$1,346,548,000 (2012: HK$1,141,555,000) and the weighted average number of 1,720,409,827 shares (2012: 1,720,561,712 shares) in issue during the year.

7. INVESTMENTS IN ASSOCIATES

(a) Investments in associates

	2013	2012
	HK$'000	HK$'000
Investments, at cost		
Shares listed in Mainland China	**1,782,996**	1,782,996
Unlisted shares:		
– in Hong Kong	**561,951**	561,951
– outside Hong Kong	**231,159**	38,784
Share of post-acquisition reserves	**8,818,743**	8,453,642
Intangible assets	**46,409**	54,314
	11,441,258	10,891,687
Less:		
Provision for impairment charged against investment costs	**(165,548)**	(165,548)
Goodwill on acquisition	**(591,037)**	(591,037)
Carrying value, net	**10,684,673**	10,135,102
Market value of listed shares in Mainland China	**12,594,885**	20,025,418

(b) As at 31 December 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 *(note 1)*	33.33%
Everbright Securities (International) Limited	British Virgin Islands	Securities operations *(note 1)*	49.0%*
重慶融科光控實業發展有限公司	The PRC	Investment Holding *(note 2)*	24.99%#

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

Held indirectly.

Note 1: Everbright Securities and Everbright Securities (International) Limited are the Group's strategic investments to capitalise the growth of securities markets in the Mainland China and Hong Kong.

Note 2: 重慶融科光控實業發展有限公司 is one of the Group's investment holding companies.

For the year ended 31 December 2013, Everbright Securities has recorded an after tax profit of RMB0.28 billion (2012: RMB1.03 billion) and the Group's share of profit as per the associate's financial statements, under equity accounting method, amounted to HK$86 million (2012: HK$414 million). In addition to the 49% stake of Everbright Securities (International) Limited the Group entitles to the profit from its 33.33% share of Everbright Securities, which controls 51% stake in Everbright Securities (International) Limited.

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

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

8. INVESTMENTS IN JOINT VENTURES

(a) Investments in joint ventures

	2013 **HK$'000**	2012 HK$'000
Share of net assets	**699,093**	419,243
Goodwill on acquisition	**22,311**	22,311
	721,404	441,554

(b) As at 31 December 2013, details of the Group's investments in joint ventures 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 *(note 1)*	Class A Ordinary Shares US$2,000,000	50.0%
			Class B Ordinary Shares US$20,000	50.1%
Everbright Guolian Capital Company Limited	The PRC	Venture capital and investment advisory *(note 2)*	RMB370,000,000	50.0%*
China Aircraft Leasing Holdings Limited	Cayman Islands	Investment holding *(note 3)*	USD46,895,000	44.13%*#
山東高速光控產業投資基金管理有限公司	The PRC	Fund management *(note 4)*	RMB200,000,000	48.0%*

* Held indirectly

\# According to HKAS 32, the Group's share of the economic interests of the entity for the year ended 31 December 2013 was calculated at 48%.

Note 1: Everbright Macquarie Infrastructure Limited is a joint venture of the Group to provide fund management services to an infrastructure fund in the Mainland China.

Note 2: Everbright Guolian Capital Company Limited is a joint venture of the Group to provide investment advisory services to a joint venture fund in the Mainland China.

Note 3: China Aircraft Leasing Holdings Limited is a joint venture of the Group to capture opportunities arising from the rapid growth of aviation and commercial aviation financing, investment and leasing activities in the Mainland China.

Note 4: 山東高速光控產業投資基金管理有限公司 is a joint venture of the Group to provide fund management service to an industrial investment fund in the Mainland China.

All of the above joint ventures are unlisted corporate entities whose quoted market price is not available. They are accounted for using the equity method in the consolidated financial statements.

9. AVAILABLE-FOR-SALE SECURITIES

	2013	2012
	HK$'000	HK$'000
At fair value:		
Listed equity securities:		
– in Hong Kong	**409,169**	356,205
– outside Hong Kong	**6,211,906**	7,407,091
Unlisted equity securities		
– in Hong Kong	**403,911**	–
– outside Hong Kong	**5,375,160**	4,082,058
Unlisted debt securities	**94,087**	105,068
At cost (i):		
Unlisted equity securities	**548,318**	536,164
	13,042,551	12,486,586

(i) At 31 December 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 within the range cannot be reasonably assessed.

Realised gains on disposal of certain available-for-sale securities are subject to the payment of a project bonus to an investment team (see note 20(b)).

The Group held the following principal available-for-sale securities as at 31 December 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	3.79%

(i) At 31 December 2013, the carrying value of interests in Everbright Bank exceeded 10% of total assets of the Group.

(ii) Transfer of available–for–sale investments by the Group to the Social Security Fund

Pursuant to regulations of the People's Republic of China ("PRC"), certain available-for-sale investments held by the Group were transferred to National Council for Social Security Fund, a government agency of the PRC at no consideration as the Group's ultimate holding Company is controlled by the Council of State, a government agency of the PRC. The transfer of shares at a fair value of HK$129,972,000 were regarded as transactions with shareholders and accordingly the Group's share of the total costs of such investments transferred amounting to HK$30,712,000 has been charged directly to equity. There was no such transfer during the financial year 2012.

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

	2013	2012
	HK$'000	HK$'000
At fair value:		
Hong Kong listed equity securities	**52,079**	64,207
Overseas listed equity securities	**68,490**	25,892
Overseas unlisted equity securities	**2,569,355**	1,104,044
Overseas unlisted convertible preference shares	**176,189**	21,550
Overseas unlisted debt securities	**462,677**	801,201
	3,328,790	2,016,894

Realised gains on disposal of certain financial assets designated at fair value through profit or loss are subject to the payment of an incentive project bonus to an investment team (see note 20(b)).

An overseas unlisted equity security with a fair value of HK$672,012,000, were listed in the Mainland China on 22 January 2014. The Group is subject to a lock-up provision which restricted the Group from selling the equity security on or before 21 January 2015.

As at 31 December 2013, the Group's which unlisted equity securities amounting to a fair value of HK$2,243,493,000 (2012: HK$1,004,679,000) investments in associates and joint ventures. These investments were exempted from applying the equity method and were recognised as financial assets designated at fair value through profit or loss.

11. ADVANCES TO CUSTOMERS

	2013	2012
	HK$'000	HK$'000
Non-current assets		
Term loans to customers		
– secured	–	1,133,900
– unsecured	241,765	–
	241,765	1,133,900
Current assets		
Term loans to customers		
– secured	2,035,205	973,990
– unsecured	259,147	349,886
	2,294,352	1,323,876

Certain term loans to customers are secured by unlisted securities and third parties guarantees.

An aging analysis of advances to customers is as follows:

	2013	2012
	HK$'000	HK$'000
Repayable on demand	–	99,520
Within 3 months	975,396	665,382
Over 3 months to 1 year	1,318,956	558,974
Over 1 year to 5 years	241,765	1,133,900
	2,536,117	2,457,776

12. AMOUNTS DUE FROM/(TO) INVESTEE COMPANIES

Amounts due from investee companies of HK$159,469,000 (2012: HK$98,781,000) in aggregate are unsecured, interest free and have no fixed terms of repayment. The Group had no intention to demand repayment within one year. The remaining balance of HK$9,542,000 (2012: HK$18,660,000) is secured, interest bearing and repayable within one year.

Amount due to an investee company is unsecured, interest free and has no fixed terms of repayment.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	2013	2012
	HK$'000	HK$'000
Accounts receivable, net	**1,157,139**	377,975
Deposits, prepayments, interest and other receivables	**458,053**	175,246
	1,615,192	553,221
Less: Allowance of doubtful debt	**(57,000)**	–
	1,558,192	553,221

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

As at 31 December 2013, the Group's receivable of HK$426,386,000 (2012: HK$nil) was individually determined to be impaired. Allowance for doubtful debt of HK$57,000,000 (2012: HK$nil) was recognised.

14. BANK LOANS

As at 31 December 2013, the bank loans were repayable as follows:

	2013 HK$'000	2012 HK$'000
Within 1 year	**2,009,663**	527,000
After 1 year but within 5 years	**1,025,720**	447,840
After 5 years	**59,554**	64,561
	1,085,274	512,401
	3,094,937	1,039,401

As at 31 December 2013, the bank loans were secured as follows:

	2013 HK$'000	2012 HK$'000
Bank loans		
– secured	**2,125,862**	512,401
– unsecured	**969,075**	527,000
	3,094,937	1,039,401

As at 31 December 2013, the bank loans of the Group of HK$2,125,862,000 (2012: HK$512,401,000) were secured by fixed deposits, standby letters of credit and property situated in the Mainland China.

15. 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.

16. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2013 HK$'000	2012 HK$'000
Creditors, deposits received and accrued charges	**749,835**	309,018

As at 31 December 2013, creditors, deposits received and accrued charges included bonus payable to staff.

17. SHARE CAPITAL

	2013	2012
	HK$'000	HK$'000
Authorised:		
Ordinary shares of HK$1.00 each	**2,000,000**	2,000,000
Issued and fully paid:		
At 1 January	**1,720,562**	1,720,562
Shares repurchased	**(462)**	–
At 31 December	**1,720,100**	1,720,562

Shareholders are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Share repurchased

During the year, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate consideration**
		$	$	$'000
September 2013	462,000	9.95	9.89	4,587

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled of HK$462,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of HK$4,125,000 was charged to retained profits.

18. MATURITY PROFILE

As at 31 December 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	–	–	975,396	1,318,956	–	241,765	2,536,117
– Trading securities	258,517	–	332,681	58,624	–	–	649,822
– Available-for-sales securities	12,948,464	–	–	–	94,087	–	13,042,551
– Financial assets designated at fair value through profit or loss	2,866,113	–	–	151,269	311,408	–	3,328,790
– Cash and cash equivalents	–	2,229,567	869,311	666,100	–	–	3,764,978
	16,073,094	2,229,567	2,177,388	2,194,949	405,495	241,765	23,322,258
Liabilities							
– Bank loans	–	–	(629,739)	(1,379,924)	(1,025,720)	(59,554)	(3,094,937)
– Amount due to a fellow subsidiary and shareholder	–	–	(500,000)	–	–	–	(500,000)
– Financial liabilities designated at fair value through profit or loss	–	–	–	(7,268)	–	–	(7,268)
– Trading securities	(129,154)	–	(127,767)	–	–	–	(256,921)
– Notes payable	–	–	–	(47,000)	–	–	(47,000)
	(129,154)	–	(1,257,506)	(1,434,192)	(1,025,720)	(59,554)	(3,906,126)

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-sales 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)

19. 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 environmental 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.

(a) **Business segments**

For the year ended 31 December 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	546,851	56,242	328,250	161,922	1,093,265	68,607	1,161,872
Other net income from external customers	822,117	(3,267)	101,261	90,989	1,011,100	126,404	1,137,504
Total operating income and other net income	1,368,968	52,975	429,511	252,911	2,104,365	195,011	2,299,376
RESULTS AND RECONCILIATION OF SEGMENT RESULTS							
Segment results before non-controlling interests	1,164,957	(51,788)	259,055	229,522	1,601,746	149,671	1,751,417
Unallocated head office and corporate expenses							(194,965)
Share of profits less losses of associates, as per the associates' financial statements							121,581
Share of profits less losses of joint ventures, as per the joint ventures' financial statements							93,522
Adjustments to share of profits less losses to conform with the Group's accounting policies							28,085
Profit before taxation							1,799,640
Less: non-controlling interests	(382,412)	–	(22,023)	–	(404,435)	3,085	
Segments results	782,545	(51,788)	237,032	229,522	1,197,311	152,756	
Interest income	40,998	19,870	161,838	28,596	251,302	31,545	282,847
Finance costs	124	4,058	60,986	17,266	82,434	26,026	108,460
Depreciation expenses	706	1,542	581	–	2,829	17,796	20,625
Impairment loss on available-for-sale securities	8,124	13,026	–	–	21,150	–	21,150

For the year ended 31 December 2012 (Restated):

	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	148,588	79,122	300,418	340,100	868,228	21,562	889,790
Other net income from external customers	364,532	8,796	705,940	–	1,079,268	2,656	1,081,924
Total operating income and other net income	513,120	87,918	1,006,358	340,100	1,947,496	24,218	1,971,714
RESULTS AND RECONCILIATION OF SEGMENT RESULTS							
Segment results before non–controlling interests	340,902	10,326	882,231	337,830	1,571,289	17,627	1,588,916
Unallocated head office and corporate expenses							(176,058)
Share of profits less losses of associates, as per the associates' financial statements							414,590
Share of profits less losses of joint ventures, as per the joint ventures' financial statements							39,510
Adjustments to share of profits less losses to conform with the Group's accounting policies							(285,399)
Profit before taxation							1,581,559
Less: non-controlling interests	(51,580)	171	(175,012)	–	(226,421)	254	
Segments results	289,322	10,497	707,219	337,830	1,344,868	17,881	
Interest income	7,430	21,784	232,646	44,377	306,237	5,204	311,441
Finance costs	88	1,420	55,578	1,559	58,645	7,456	66,101
Depreciation expenses	725	1,240	703	–	2,668	16,758	19,426
Impairment loss on available-for-sale securities	32,300	29,439	–	–	61,739	–	61,739

Other Information

As at 31 December 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	**9,832,084**	**1,409,318**	**3,548,839**	**7,389,392**	**22,179,633**	**3,066,220**	**25,245,853**	**(1,811)**	**25,244,042**
Investments in associates									**10,684,673**
Investments in joint ventures									**721,404**
Amounts due from investee companies									**169,011**
Amount due from an associate									**19,818**
Amount due from a joint venture									**4,435**
Unallocated head office and corporate assets									**211,387**
Total assets									**37,054,770**
Segment liabilities	**111,128**	**264,598**	**1,183,496**	**744,758**	**2,303,980**	**1,122,789**	**3,426,769**	**(1,811)**	**3,424,958**
Amount due to a joint venture									**2,197**
Amount due to an investee company									**80,339**
Provision for taxation									**302,561**
Deferred tax liabilities									**284,799**
Unallocated head office and corporate liabilities									**1,231,003**
Total liabilities									**5,325,857**
Additions to non-current segment assets during the year	**276**	**–**	**873**	**–**	**1,149**	**15,226**	**16,375**	**–**	**16,375**

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 joint ventures									441,554
Amount due from investee companies									117,441
Amount due from a joint venture									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 joint venture									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
Additions to non-current segment assets during the year	304	1,266	314	–	1,884	9,926	11,810	–	11,810

(b) Geographical segments

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

	For the year ended 31 December 2013			For the year ended 31 December 2012 (Restated)		
	Hong Kong	**Mainland China**	**Total**	Hong Kong	Mainland China	Total
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Segment revenue						
Operating income	**520,679**	**641,193**	**1,161,872**	531,415	358,375	889,790
Other net income	**397,862**	**739,642**	**1,137,504**	136,133	945,791	1,081,924
	918,541	**1,380,835**	**2,299,376**	667,548	1,304,166	1,971,714

	For the year ended 31 December 2013			For the year ended 31 December 2012		
	Hong Kong	**Mainland China**	**Total**	Hong Kong	Mainland China	Total
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Specified non-current assets	**1,062,943**	**10,918,113**	**11,981,056**	1,027,750	10,125,530	11,153,280

20. CONTINGENT LIABILITIES

(a) Corporate guarantee and standby facility

	Notes	**2013** **HK$'000**	2012 HK$'000
Standby letters of credit issued to financial institutions in respect of banking facilities granted to subsidiaries	*i*	**1,440,875**	–
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	*i*	**699,710**	497,600
Standby facility given to a joint venture	*ii*	**310,104**	310,000
		2,450,689	807,600

Notes:

i. The Group's subsidiaries have utilised HK$2,129,390,000 of these banking facilities as at 31 December 2013 (31 December 2012: HK$447,840,000).

ii. The Group's joint venture did not utilise any of this standby facility as at 31 December 2013.

(b) Incentive payment

According to an Incentive Agreement dated and announced on 25 May 2007, the Group is obligated to pay an incentive project bonus to an investment team (of which all the individual members are employees of the Group) upon the realisation of each project, whether in whole or in part, under SeaBright China Special Opportunities (I) Limited (of which the Group has a 78.9% equity interest). The amount of the incentive project bonus payable under the agreement is equal to 15% of the profit realised from the disposal of those investments plus the related amount of advisor fee income received less certain attributable project expenses and the investment team's operating expenses. The incentive project bonus is recognised on the realisation of the relevant project. As at 31 December 2013, the accumulated unrealised gain associated with the relevant projects amounted to HK$1,137 million (31 December 2012: HK$808 million). If all relevant projects were disposed of on 31 December 2013 at their fair value, the amount of incentive project bonus payable to the investment team would be approximately HK$117 million (31 December 2012: HK$82 million).

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.20 per share for the year ended 31 December 2013 (2012: HK$0.15 per share). Together with the interim dividend of HK$0.11 per share (already paid), the aggregate dividend for the year is HK$0.31 per share (2012: HK$0.26 per share).

The final dividend, subject to shareholders' approval at the forthcoming annual general meeting, is expected to be paid on or about Thursday, 19 June 2014 to those shareholders whose names appeared on the register of members of the Company on Tuesday, 3 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 16 May 2014 to Wednesday, 21 May 2014, both days inclusive, on which no transfer of shares will be registered. Shareholders are reminded that, in order to qualify for attendance of the Annual General Meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration at the Company's Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 15 May 2014.

The register of members of the Company will also be closed from Thursday, 29 May 2014 to Tuesday, 3 June 2014, both days inclusive, on which no transfer of shares will be registered. Shareholders are reminded that, in order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration at the Company's Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 28 May 2014.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 21 May 2014 at 10:00 a.m.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased its shares on the Stock Exchange as follows:

Month	Number of shares of HK$1.00 each repurchased	Price per share Lowest	Price per share Highest	Aggregate consideration
		HK$	HK$	HK$'000
September 2013	462,000	9.89	9.95	4,587

The above shares were cancelled upon repurchase and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was charged against retained profits. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to the capital redemption reserve.

CORPORATE GOVERNANCE

The Company believes that upholding good corporate governance measures is important to ensure effective internal control and to protect the long term interest of the shareholders, customers, staff and the Company. The Company strictly complies with the applicable laws and regulations and codes and guidelines of the regulatory authorities, and strives to follow the best international and local corporate governance practices and to develop and improve the corporate governance practices of the Company.

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 for the year ended 31 December 2013.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a "Code for Securities Transactions by Directors and 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 to all directors, the directors confirmed that they have complied with the required standard of dealings set out in both the Code and the Model Code for the year ended 31 December 2013.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee (the "Committee") comprised Dr. Chung Shui Ming, Timpson, Mr. Seto Gin Chung, John and Dr. Lin Zhijun. The Committee is chaired by Dr. Chung Shui Ming, Timpson. All members of the Committee are independent non-executive directors.

The 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 audited financial statements of the Group for the year ended 31 December 2013.

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

Hong Kong, 31 March 2014

MANAGEMENT DISCUSSION & ANALYSIS

2013 Full Year Results

In 2013 global financial markets were divided, with developed countries showing favorable performance in the capital markets. Quantitative easing policy in the United States has led to economic recovery and stability over the past few years, pushing the stock market to a record high. Europe also regained stability, and the Pan-European Index saw its best performance since 2009. Japan's stock market hit a six-year high due to increasing liquidity flush. By comparison, investors remain concerned about China's weakening economy, despite the fact that the Third Plenary Session of the 18th Central Committee of the Communist Party of China set out a market-oriented roadmap for economic reform that boosted the market's confidence. The U.S. Federal Reserve's announcement of tapering, China's local debt issue and the housing bubble crisis all contributed to falls the Shanghai Composite Index and Shenzhen Component Index of 6.7% and 11.0% respectively in 2013, making China's the worst-performing market among the world's major stock markets. Hong Kong's financial market and the Hang Seng Index, which was also affected by the adverse economic factors in China, only saw a rise of 2.9%.

Although China's economic restructuring process faces many challenges, the Mainland economy and financial markets are committed to reform. With the gradual deregulation of onshore assets and the internalisation of the RMB, wealth accumulation among Chinese citizens has led to a rise in demand for wealth management products. In response, Hong Kong has been transforming its role and functions, from introducing overseas capital into China, to assisting domestic capital investments into Hong Kong and through to overseas markets. In an environment with growing two-way investment opportunities, a platform with trustworthy corporate brand, strong connections, recognised international standards of operation and a solid investment track record can always enjoy first-mover advantage.

Everbright identified this huge potential for development, readjusting its business strategy and structure. Over the past five years, Everbright has successfully grown from a Hong Kong-based Mainland securities brokerage, financial institution and listing sponsor to a cross-border asset management corporation managing a wide array of asset classes. During the year, the investment teams applied their extensive experiences as well as industry know-how and made timely judgements according to the macro environment and China market. As a result, investment profit and stable income reported a steady growth. In order to hone its future development strategy, the Group hired a global business strategy and management consulting firm in the year under review, involving management to establish a comprehensive three-year development plan as the corporate strategic development blueprint.

OPERATING RESULTS

During the fiscal year ended 31 December 2013, the Group's operating income amounted to HK$1.16 billion, representing an increase of 30.6%. Other net income mainly consists of investment gain, which grew by 5.1% to HK$1.14 billion. Profit attributable to equity shareholder was HK$1.35 billion, representing an increase of 18%. Earnings per share were HK$0.783, up 18.1%.

For the Hong Kong business, whose core business is the cross-border asset management business, stable income includes asset management fees, consulting fees and interest reported revenue of HK$586 million, representing a year on year increase of 22.8%, contributing to 25.5% of total revenue. Stable exits out of the investment pipeline realized satisfactory profits. Meanwhile, in order to focus resources on its core business, the Group sold 36,000,000 A shares of China Everbright Bank to the parent company, China Everbright Group, on 23 December 2013, generating an investment gain of HK$90 million. Considering all these factors, the Hong Kong business during the period reported profit attributable to equity shareholder of HK$1.09 billion, 50.3% more than fiscal year 2012 and an 81% (2012: 64%) of the profit attributable to the Group's shareholders. Eliminating the one-off gain of HK$90 million from selling 36,000,000 shares of China Everbright Bank, the Hong Kong business saw 38% growth in profit after tax compared to last year.

Total expenditure amounted to HK$660 million, representing a rise of 36.8% over 2012. Total cost over total income ratio rose to 28.8%, 4.2 percentage points higher than the previous fiscal year's 24.6%. In order to better meet Everbright's business development needs and expand its operational scale, the Group modestly increased its gearing ratio by 7.9 percentage points to 11.5%, which still represents a very healthy level.

Associated company China Everbright Securities saw a reduction in earnings due to trading errors on 16 August 2013, resulting in a 10% decrease in the Group's profit-sharing contribution to HK$134 million. In order to focus more resources on replenishing capital, China Everbright Bank reduced its dividend payout ratio for the year, which resulted in dividend income after tax from China Everbright Bank significantly decreased by 55% to HK$120 million.

CORE BUSINESS – FUND MANAGEMENT AND INVESTMENT OPERATIONS

As at 31 December 2013, the Group's Macro Asset Management business managed a total of 16 funds. Total amount of managed capital raised was HK$33.3 billion, at a compound annual growth rate of 60.8%, of which approximately 77% came from external funding. The outstanding committed capital balance plus the aggregate value of project investments amounted to approximately HK$34.5 billion, representing an increase of 44.4% compared to fiscal year 2012.

Primary Market Investment Business

The Primary Market Investment Business is the Group's most well-established business stream, which invests in privately held companies or projects in China. Currently, the Primary Market Investment Business has three private equity funds, three venture capital funds and five sector funds.

In 2013, China's private equity investment boom remained strong. Under these circumstances, total funds raised increased to approximately HK$30 billion, while management fees soared dramatically compared to the previous fiscal year with an increase of 83.2%. During the year the Primary Market Investment Business added 26 investment projects and exited 5 projects for a total of 70. Despite the poor performance of China's stock market, and the China Securities Regulatory Commission's suspension of approvals for new public listing applications, the Group's Primary Market Investment Business still managed to capture opportunities from the capital market by making timely equity divestments, resulting in good return on investments. For the year, the Primary Market Investment Business reported a profit before tax of HK$783 million, representing a 170% increase over fiscal year 2012.

Private Equity Funds under Primary Market Investment Business

As at 31 December 2013, the China Special Opportunities Fund ("CSOF") series had three private equity funds in its portfolio with a fundraising scale of HK$4.26 billion and a total of 20 investment projects, all in healthy operations and their overall fair values continuously enhancing.

The "China Special Opportunities Fund I" is at its exit stage. One of its remaining 4 projects, Anhui Yingliu Electromechanical, successfully completed the final preparation work of its A-shares initial public offering during the year. It was listed on the Shanghai Stock Exchange on 22 January 2014 (stock code: 603308). As part of the first batch of listed companies following the resumption of IPOs for Mainland entities, its first day closing price rose 34% compared to its issue price. UnionPay also grew rapidly, underscoring the development potential of its lucrative online payment business.

"China Special Opportunities Fund II" is also at its exit stage. Currently it is invested in 8 (One of the projects was co-invested under another Private Equity Fund) projects. Amongst the portfolio companies, Zhejiang Beingmate (Shenzhen Stock Exchange stock code: 002570) captured opportunities stemming from the integration of the milk powder production industry, achieving remarkable growth and results during the year. The investment team then disposed of most of its shares, enabling the Group to achieve a significant return on investment. The other projects focus mainly on domestic consumption sectors, with Yuen Cheng Logistics and Wufeng Agricultural both preparing for public listing.

"China Special Opportunities Fund III" is still in the investment stage. During the year the investment team researched 250 potential projects covering the manufacturing, agricultural, science and technology, consumer, environmental and chemical industries. The Fund added 3 investment projects during the year. In addition to its co-investment with the Group's Medical Fund in the world's leading gene technology company, Beijing Genomics Institute, the China Special Opportunities Fund III investment team was also bullish on national policies for new energy demand, investing in Binhai Investment (Hong Kong Stock Exchange stock code: 2886). With the support of the investment team, Binhai Investment switched from the Growth Enterprise Market to the Main Board. As at 31 December 2013, China Special Opportunities Fund III invested 64% of the funds it raised, invested in a total of 9 projects; which included China Outfitters Holdings Ltd, Beijing Jingneng New Energy Co., Ltd, SPT Energy Group Inc., Global Market and Petro-king. As a value investor, China Special Opportunities Fund III nurtures these projects for the long term, as its shared resources and advantages, both internally and across teams, allows for synergistic benefits and long-term investment value.

Following the later investment stages of "China Special Opportunities Fund III", the team has already begun preparatory work for the establishment of "China Special Opportunities Fund IV". Since the CSOF series has accumulated a wealth of investment experience, achieved excellent returns and burnished its reputation over the years, the Group is confident in the fundraising exercise for "China Special Opportunities Fund IV".

Venture Capital Funds under Primary Market Investment Business

The three RMB-denominated venture capital funds were primarily invested in companies which are at the start-up stages or with unique technical applications. The venture capital funds raised a total of approximately HK$1.18 billion. Another 5 investment projects were added during this year to make the total 20. Since the three venture capital funds had almost finished their investments, the teams shifted their focus to post-investment management and value creation. In 2013 the funds successfully divested from their first project, Shenzhen Jiawei (Shenzhen Stock Exchange ChiNext Board, stock code: 300317), in China's growth enterprise market, achieving an attractive return of investment. Currently there are still 3 active projects working towards public listing on China's stock markets.

Sector Funds under Primary Market Investment Business

The Group has five sector funds focusing strategically on rapidly growing industries in China, including real estate, infrastructure, low-carbon new energy and new materials as well as medical and healthcare. These funds focus specifically on exploring investment opportunities in sectors with mid- to long-term growth potential to maximise benefits over a longer time period.

Everbright Ashmore Real Estate Fund is the fastest-growing fund in the sector fund portfolio in terms of asset size and profit contribution. The Fund is primarily invested in large-scale commercial and residential property projects located in first- and second-tier cities in mainland China, and is divided into two currency investment streams: USD-denominated and RMB-denominated funds. As at 31 December 2013, assets under management by the Fund as a whole amounted to approximately US$2.06 billion, of which 86% came from external investors.

The USD-denominated fund took an equity investment approach, and the first phase of its investment has been completed. Additionally, the Fund also successfully withdrew from the Chongqing City project realising an approximately 26% internal rate of return. The remaining 4 projects, located in Shanghai, Shenyang and Xuzhou, are showing extremely satisfactory sales and capital return. The Fund's team has already launched the fundraising exercise for the second phase of the USD-denominated fund. The first closing is targeted for completion by the first half of 2014.

To complement the long-term equity investment approach of the USD-denominated fund, the Everbright Ashmore Real Estate Fund team set up an RMB-denominated real estate fund targeting individual property projects that aims to fully utilise Everbright's connections and market reputation in China. The primary investment approach for the RMB-denominated fund was largely debt- and fixed income-focused. This approach did not only facilitate the urgent capital needs of property developers, but also generated stable management and consulting fees as current income for the Group. In 2013 the RMB-denominated fund saw exponential growth, as the Fund invested in 13 new projects and made 4 divestments. At year end the RMB-denominated fund managed 14 projects.

As at 31 December 2013, the **Macquarie Everbright Infrastructure Fund Greater China** had raised approximately US$870 million. The infrastructure fund, focused on urban public facilities and environmental power generation, invested in water purification, waste incineration, municipal wastewater treatment, ports and liquefied gas storage, covering a total of 6 projects. To further expand its investment in Mainland public facilities, the Group jointly set up the **Shandong Hi-Speed Industrial Fund** with Shandong Expressway Group in the end of 2013. Through this particular Fund, the Group participated in financing major projects for Shandong Expressway Group and helped it revitalise its stock of assets through securitisation.

The **Everbright Jiangyin New Energy (low-carbon) Asset Investment Fund** is primarily focused on new materials, renewable energy and clean energy and has invested in 2 projects. Currently, mainland China's new energy industry still faces fierce competition, and the enterprises in the energy-saving and new materials sector are still generally small, with relatively unstable profit models. Therefore, searching for appropriate investment projects with long-term growth potential was challenging. However, with the various policies support from the Chinese government, the Group believes there will be many rewarding opportunities for the new energy and green sectors. To further enhance the competitive advantages of Everbright's network in mainland China, the Group established a **Everbright Qingdao Low-Carbon New Energy Fund**, further expanding its use of local resources in Qingdao. The new fund invested in 1 project during the year.

With an aging population and the increasing demand in enhancing medical standards, the Chinese healthcare industry is in a period of rapid development. Research by Deloitte shows that from 2012 to 2015, China's medical services market will be growing 18% annually, with an industrial scale of more than RMB3 trillion, which opened up substantial room for growth. The Group's **Everbright Medical And Healthcare Fund** invests in privately held Chinese healthcare companies, or those in the process of expansion, which specialise in bio-pharmaceuticals, medical devices and equipment, medical services and medical technology. In 2013, the Fund raised RMB600 million at its first closing and had already finished its capital investments in 3 projects with Beijing Genomics Institute, Beijing Amcare and Betta Pharmaceuticals. Given the rapid growth and favourable performances of the aforementioned projects, the Fund has already established a recognised reputation in the market. The Group has started the second phase of fundraising for the medical fund and aims to complete the first closing in the second quarter of 2014.

Secondary Market Investment Business

Everbright's Secondary Market Investment is divided into two parts: traditional asset management products, and the global absolute return fund. In the **asset management** sector, fixed-income products performed well last year. The QDII Greater China Bond Fund reported a net of fees return of 8.4% whereas the Everbright Dynamic Bond Fund recorded a net of fees return of 13.4%. Their benchmark returns are -1.0% and 2% respectively. The strategic equity portfolio theme combination recorded a 6.3% return, which outperformed its benchmark, Hang Seng China Enterprises Index that recorded a negative return of 5.4%. The Group's asset management sector managed to register a profit of HK$5.79 million in 2013.

For the **Global Absolute Return Fund**, the Group set up an investment portfolio of US$100 million. After more than a year of operation, the team has established robust operating system and the trading system was enhanced. These products provide flexible, diversified asset allocation options based upon clients' risk portfolios and preferences. The investment strategies include: thermatic macro investment, event driven arbitrage strategy, convertible bond and credit opportunities strategy, and quantitative trading which includes statistical arbitrage, momentum, reversal and trend following strategies.

Structured Finance and Investment Business

The Structured Finance and Investment Business is divided into two categories: Capital Investment and Financing, and the Onshore Mezzanine Fund. Capital Investment and Financing focuses on short- to medium-term offshore financing or investment opportunities, while the RMB Mezzanine Fund primarily offers diversified financing support to accommodate the needs of domestic enterprises at home and overseas. Given that the equity investment exit proportion was less than that of fixed-income investment during the year, as well as the weak stock market performances in China, revenue for the Structured Investment and Finance Business decreased. During the year, interest income and consulting fees amounted to HK$207 million. Investment income decreased to HK$210 million and profit before tax fell 66% to HK$237 million.

During the year the **Structured Finance and Investment Business** added 2 projects and divested 4 projects leaving a total of 5 projects in the pipeline as at year end of 2013. One of its new projects, Focus Media's privatisation, was named "Best Leveraged Finance Award 2013" by Finance Asia and Euroweek. The award highlighted the quick repayment of the project's financing under challenging circumstances. Another divested project completed its six-month loan period, achieving a high level of annualised internal rate of return of 57%. The investment team, which is committed to prudent risk management, closely monitored the repayment progress of each and has not had any repayment issues with its 16 investment projects over the past three years. Leveraging its solid risk control and assessment system, the Capital Investment and Financing Business grew healthily by expanding its business from managing seed capital to external funding. The fundraising of USD-denominated fund has been started based on the solid foundation.

The **Onshore Mezzanine Fund** has succeeded in managing 2 investments of which one exited despite China's economic slowdown, rising interest rates, capital abundance in the market and economic restructuring. In 2014, the acceleration of China's economic structure transformation and the potential increase in interest rate will be favourable factors leading to a rise in demand for structured financing. The Mezzanine Fund will leverage its advantage of capital flexibility to actively explore and participate in financing and asset securitisation for enterprises. The Fund will accelerate its investment pace and strive to invest all of the remaining committed capital in 2014.

Aircraft Leasing

Mainland China is one of the fastest-growing regions in the global aviation industry. According to official data released in January 2014 by Boeing, Chinese carriers will need 5,580 new aircraft over the next 20 years, at a total value of over US$780 billion. According to the market rules of Europe and America, carriers normally use approximately 70% of non-self-capital financing solutions including aircraft leasing in purchasing aircraft purchase. However, the current proportion of financial leasing in the China market is just approximately 40%. Since most domestic carriers have a high liability ratio, aircraft leasing can not only help these carriers' expand their fleets and operation network, but also optimise their asset structures.

In 2013 China Aircraft Leasing Company Limited, in which the Group holds approximately 44%, fully utilised its shareholders' capital connection strengths as well as its cross-border leasing platform to drive exponential growth. As at 31 December 2013 the company had increased its fleet number from 16 to 25, and the newly acquired aircraft of A320 series purchased from Airbus in 2012 have started to be delivered in phases. During the year under review the company contributed profits of HK$81.5 million, representing a 105% increase over the last fiscal year.

CHINA EVERBRIGHT SECURITIES

In 2013, with China's gloomy economic outlook and the suspension of IPO applications, China Everbright Securities, of which the Group holds 33.33%, was confronted with operational pressure. The company was fined RMB523 million for a trading error that affected its profit contribution to the Group, which decreased by 10% to HK$134 million.

Everbright Securities (International), which was held by China Everbright Securities and the Group at 51% and 49% respectively, reported significant growth in its securities brokerage and investment banking business, generating a profit contribution to the Group of HK$33 million.

CHINA EVERBRIGHT BANK

China Everbright Bank was successfully listed on the main board of the Hong Kong Stock Exchange on 20 December 2013 and enhanced its capital strength. With the Group dedicated to developing its visionary strategy of expanding its asset management business, it entered into a share sale arrangement with its parent company, China Everbright Group, on 23 December 2013. The Group sold 36,000,000 shares of China Everbright Bank (A-share) at RMB2.69 per share and a total consideration of RMB96.84 million to parent company. This divestment reduced the Group's shareholding in China Everbright Bank from 4.51% to 3.79% as at the end of the reporting period. During the year, the pre-tax dividend income from China Everbright Bank was HK$133 million, down 55% compared to the previous fiscal year.

On 24 February 2014 the Group made another divestment of China Everbright Bank's shares (112 million A shares) to the parent company, at a total consideration of RMB278 million. Upon completion of the deal, the Group's shareholding of China Everbright Bank was further reduced to 3.51%.

Financial Positions

As at 31 December 2013, the Group's total assets amounted to approximately HK$37.1 billion, with cash on hand of approximately HK$3.8 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$3.1 billion and HK$0.5 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 31 December 2013, the Group's borrowing facilities amounted to approximately HK$5.87 billion. The Group's gearing ratio, calculated as interest bearing liabilities divided by shareholders' equity, was 11.5% as at 31 December 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.

RISK MANAGEMENT

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

The Group's work in the area of risk management is led by the Chief Risk Officer and is executed by the Risk Management Department. This functional structure can assess, identify and document the Group's risk profile and to ensure that the business units focus, control and systematically avoid potential risks in various business area. 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 did not have a significant concentration of credit risk other than the provision of advances to customers which are secured by unlisted securities and third parties guarantees of HK$2,035 million (31 December 2012: 2,108 million).

The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, on the balance sheet date deducting any impairment allowance. Except for the corporate guarantee set out in note 20(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$2,451 million (31 December 2012: HK$808 million).

(b) Liquidity risk

The Group's policy is to regularly assess current and expected liquidity requirements and to ensure that it maintains reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

For subsidiaries with statutory liquidity requirements, the Group closely monitors their liquidity positions. To ensure strict compliance, the Group maintains adequate cash reserves to prepare for immediate fund injection if required. If there is a medium to long-term operational need, the management would also consider adjusting those subsidiaries' capital structure. Subsidiaries with external equity stakeholders are generally responsible for their own liquidity management.

(c) Interest rate risk

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

The Group's interest rate positions arise from treasury and operating activities. Interest rate risk arises from treasury management, customer financing and investment portfolios. Interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets, liabilities and commitments. Interest rate risk is managed by the Treasury Department under the delegated authority of the Board of Directors. The instruments used to manage interest rate risk include time deposits and interest rate linked derivatives, if necessary.

(d) Currency risk

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

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities, available-for-sale securities (see note 9), financial assets designated as fair value through profit or loss (see note 10) and financial liabilities designated as fair value through profit or loss. Other than unlisted securities held for medium to long-term strategic purposes, all of these investments are listed.

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

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

(f) Contingent Liabilities

As of 31 December 2013, The Group's subsidiaries have utilised HK$2,129,390,000 banking facilities guaranteed by the Group. The standby facility given to a joint venture was HK$310,104,000 but the joint venture utilised none of the standby facility.

EMPLOYEES

As at 31 December 2013, the Group had 237 employees. Total staff costs for the period under review amounted to approximately HK$281 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.

MARKET OUTLOOK

According to the International Monetary Fund's forecast, global economic growth is expected to reach 3.6% in 2014. The United States economy will stabilise, and more capital is expected to return. US dollar assets are expected to remain strong. In Europe, because many countries are still under debt burdens and population growth remains low, it will take longer to recover compared with the US. Japan is expected to retain its loose monetary policy in order to achieve its growth target.

In 2014, according to the blueprint announced by The Third Plenary Session of the 18th Communist Party of the China Central Committee, China will aim for all-around change from the previous investment-driven model to a growth-driven model led by market demand. Under such circumstances, industries such as new energy, new material, medical and healthcare, TMT (Technology, Media, Telecommunications), environmentally-friendly products and public infrastructure will be confronted with many lucrative opportunities. As an international financial hub, Hong Kong still faces many challenges, including how to grasp the opportunity in capitalise on the economic recoveries of Europe and America, participate in China's transforming economy and the opening up of Mainland's financial markets, and construct a comparable regional advantage.

OUR STRATEGIES

In light of the various landscapes and asset types within and outside the mainland Chinese market, China Everbright Limited will seize business opportunities related to the globalisation of the Renminbi, market-driven interest and exchange rates, and financial reform in China to build a cross-border asset management platform with high growth, high return and stable income. The Group will continue to focus on developing its four core businesses – Primary Market Investment, Secondary Market Investment, Structured Financing and Investment, and Aircraft Leasing – and forge ahead to become a regional leader in Asset Management.

To achieve this, the Group will implement three major corporate strategies in the coming year. First, the Group is committed to attaining scalable growth by expanding the asset scale of its Primary Market Investment Business, in order to obtaining a more stable source of income and diversified divestments. For the Secondary Market Investment Business – in particular Structured Financing and Investment – the Group will leverage its competitive advantages, continue to identify acquisition opportunities, create funds and other investment products, and gradually decrease its percentage in seed capital. Second, it will build an integrated, professional sales platform to manage clients' resources, marketing strategies and marketing promotions with the aim of driving cross-business sales. This will also help satisfy the diversified investment needs of corporate investors and high-net-worth individuals. Third, it will continue investing in a robust back-end system to oversee the existing financial business as well as its risk and management structure, and support the rapid growth of all its businesses in an all-round platform.

After years of business restructuring and adjustments, Everbright's macro cross-border asset management platform became increasingly solid and product offerings became further developed. In 2014, the Group is confronted with numerous challenges, and the Group is confident that it can leverage its thorough understanding of the Chinese economy and the changes occurring within the industry to manage stable growth in its Mainland asset management business and integrate overseas investment opportunities. This help not only to become an irreplaceable part of China's commercialised economic reform and enterprise growth, but also maximise returns for shareholders and clients.

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

Hong Kong, 31 March 2014

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