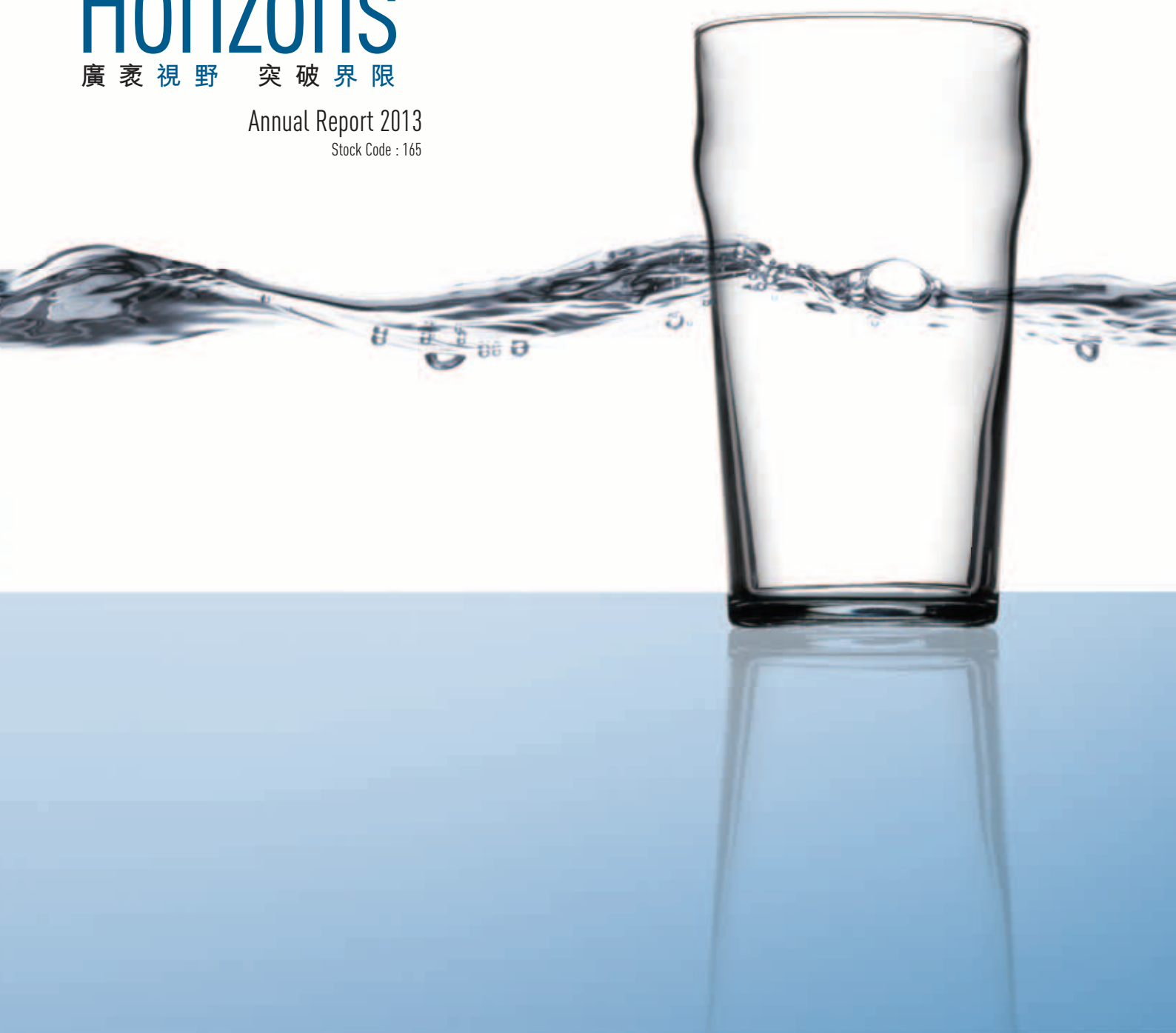


Expanding our
Horizons

廣 袤 視 野 突 破 界 限

Annual Report 2013

Stock Code : 165



Water presents its beauty in different conditions.

In 2013, the development of Everbright's cross-border macro asset management business experienced the different conditions of water – **stability, acceleration** and **action**.



Cover Story

A half-filled glass of water, someone sees it half-full and someone sees it half-empty.

Thinking outside the box provides us with more alternatives.

Flexible like water, Everbright focuses on exceeding boundaries of the containers, opening up new ideas, expanding business territory and increasing the variety of financial products.

Service Philosophy

Making Wealth Simple

We adhere to our service philosophy with sound corporate governance, professionalism and tailored financial solutions, helping our clients create wealth and value with ease.

Contents

8	Company Overview
9	Corporate Strategy
10	2013 Results Highlights
12	2013 Review
14	Chairman's Statement
16	Management Discussion and Analysis
34	Corporate Social Responsibility Report
42	Corporate Governance Report
59	Directors' Report
66	Directors and Senior Management
71	Independent Auditor's Report

Financial Statements

73	Consolidated Income Statement
74	Consolidated Statement of Comprehensive Income
75	Consolidated Balance Sheet
77	Consolidated Statement of Changes in Equity
78	Consolidated Cash Flow Statement
80	Notes to the Financial Statements
152	Financial Summary
153	Particulars of Major Properties
154	Corporate Information



Stability

After several years of transition, Everbright's business has become more mature. In 2013, despite of significant reduction in profit contributions from China Everbright Bank and Everbright Securities, the Group achieved profit, financial and operational stability with excellent returns on a number of investment projects.





Acceleration

In 2013, Everbright's "Cross-border Macro Asset Management Platform" experienced tremendous development in asset under management scale and product variety. Both the scale of asset under management and profit contributions from the asset management businesses reached historical high.





Action

In 2013, Everbright took concrete steps to reduce its holding of non-core assets, to centralise resources and develop its core asset management businesses. The Group has started to establish an integrated professional sales team and back-end platform to support sustainable growth.

Company Overview



* As of 31 December 2013

China Everbright Limited ("Everbright", stock code: 165), being a member of China Everbright Group, is a diversified financial services enterprise operating in Hong Kong and Mainland China. It is the second largest shareholder of Everbright Securities (stock code: 601788) and third largest shareholder of China Everbright Bank (stock code: 601818) in the Mainland. China Everbright Group is the holding company of Everbright.

Established in 1997 at Hong Kong, Everbright persistently pursues its "Macro Asset Management" strategy, with specific focuses being placed on fund management and investment businesses, namely Primary Market Investment, Secondary Market Investment and Structured Financing & Investment. Moreover, being a substantial shareholder of China Aircraft Leasing Company Limited, Everbright is actively developing aircraft leasing business in China and emerging markets. In addition, by leveraging the advantages in cross-border fee-based business of an associate, Everbright Securities, Everbright also participates in the development of investment banking (corporate financing) and brokerage services (wealth management) businesses in Hong Kong.

Over the past years, Everbright has developed solid bases in various sector markets. It manages series of private equity funds, venture capital funds, sector funds and hedge funds as operated via an international management platform, and provides overseas investors with opportunities to explore and invest in companies with fast growing potential in the Mainland China. On the other hand, Everbright also seeks investment opportunities from overseas and provides diversified financial services for its clients in Mainland China.

Through upholding the philosophy of "Making Wealth Simple", Everbright leverages on its own substantial financial strength, as well as the position and influence of China Everbright Group and its affiliated companies in the financial industry in China, and has successfully built huge cross-border social and business networks in Hong Kong and the Mainland, and established a reputable image in the market.

Corporate Strategy

Over the last decade, Everbright has been undergoing a strategic business transformation:

- | | |
|-------------------------|--|
| 1997: | Strived to be the first offshore Chinese financial holding company; |
| 2000: | Developed investment banking and securities brokerage business; |
| 2007: | Expanded the Company's investment fund operations based on the cornerstone of the first private equity fund, "China Special Opportunities Fund I"; |
| 2010 to present: | Successfully nurturing a thriving cross-border macro asset management business. |

Currently, a cross-border macro asset management platform has been built with the following unique competitive advantages:

- Trust from domestic and overseas investors based on the parent company's background as a state-owned enterprise;
- Investment streams and projects that make the most out of opportunities in a number of key Chinese industries;
- A Hong Kong-listed platform, international standard of operations, and a market-driven incentive scheme that helps attract and retain the best domestic and overseas talent to realise the Group's "create value, share value" philosophy;
- Solid capital strength and balance sheet, giving the Group substantial seed capital to grow new funds and support external fund raising activities;
- A promising track record boosted assets under management growth, generating stable, sustainable income growth;
- Investment products of various kinds with different investment tenors, enabling investment gains amid various market conditions.

In the future, Everbright aims to build a cross-border asset management platform that combines its competitive capabilities with high growth, high returns and stable income, generating sustainable revenue for shareholders:

- | | |
|----------------------------------|---|
| High growth: | Keep the high growth momentum of Assets under management of over 30% per annum; |
| High returns: | Take a very selective approach to investment projects to ensure rewarding capital returns; |
| Stable income: | Enhance the proportion of stable income from management fees, consulting fees and interest income from increasing scale of asset under management; |
| Competitive capabilities: | Three service philosophies:

"Partnership" – the solid relationship established between customers and fund management teams, based on well-established profit-sharing and risk control mechanisms that generate long-term values for both parties;

"Pragmatism" – leveraging solid capital strength to seek optimal investment opportunities, distinguished by a focus on Chinese business and markets;

"Innovation" – the capability to create competitive, diversified cross-border investment products that can accommodate changes in markets and customer demand, both domestically and internationally. |

2013 Results Highlights

Stability

Despite reduced profit contributions from both Everbright Securities and China Everbright Bank, growth in the core operating business – macro asset management – remained steady.

- Stable income including management fee, consultancy fee and interest income rose 22.8% to **586 million**, accounting for over 25.5% of total revenue
- Profits attributable to the equity shareholders of the Company increased by **18%** to HK\$1,347 million
- Despite the A-share market not yet resuming IPO activities, the Group still received realized gain of **HK\$760 million** from the disposal of available-for-sale securities, representing an increase of **11%**

Acceleration

The overall asset management scale and product varieties reported sustainable growth.

- Number of funds grew to **16**
- Funds' invested projects increased from 49 to **71**
- Fundraising amounted to **HK\$33.3 billion**, representing a CAGR growth rate of **56.9%** per annum from 2009 to 2013
- External capital accounted for **77%** of total assets under management, up 4 percentage points
- Asset management business (Hong Kong business) reported profit attributable to the equity shareholders of the Company **HK\$1.09 billion**, representing a **50.3%** increase year on year
- Number of aircraft in operation under the Aircraft Leasing business grew from 16 to **25**

Action

The Group remained committed to expanding the geographical reach of its asset management business beyond Hong Kong and China, by holistically integrating back-end operations.

- Commenced the disposal of non-core assets. The Group sold **36,000,000** shares of China Everbright Bank to the parent company, China Everbright Group, achieving a profit of HK\$90 million
- Established a **sales team** targeting institutional and high-net-worth individual clients, enhancing cross-selling capabilities
- Commenced building a unified **back-end platform** to complement the Group's overall finance and risk management structure and functions, and support its sustainable development

(HK\$ million)	2013	2012 (Restated)	Changes
Operating income	1,162	890	31%
Profit from operations (before tax)	1,665	1,479	13%
Share of profits less losses of associates and joint ventures	243	169	44%
Profit attributable to shareholders	1,347	1,142	18%

(HK\$ million)	2013	2012	Changes
Profit from major business streams			
Primary market investment	783	289	170%
Secondary market investment	(51)	10	N/A
Structured financing & investment	237	707	-66%
Aircraft leasing	82	40	105%

(HK\$)	2013	2012	Changes
Basic earnings per share	0.783	0.663	18%
Full-year dividend per share	0.31	0.26	19%
Interim	0.11	0.11	–
Final	0.20	0.15	33%

Key financial ratio	2013	2012	Changes
Interest-bearing debts gearing ratio	11.5%	3.6%	7.9 percentage point
Return on shareholders' equity	4.7%	4.1%	0.6 percentage point
Return on assets	3.6%	3.5%	0.1 percentage point

Operating Income

(HK\$ million)

2013	1,162
2012	890
2011	455*
2010	419*
2009	314*

* Restated

Profit from Operations (before tax)

(HK\$ million)

2013	1,665
2012	1,479
2011	1,481
2010	1,504
2009	336

Profit Attributable to Equity Shareholders of the Company

(HK\$ million)

2013	1,347
2012	1,142
2011	1,923
2010	1,927
2009	4,758

Total Assets

(HK\$ million)

2013	37,055
2012	32,258
2011	31,100
2010	33,942
2009	24,309

Total Equity Attributable to Equity Shareholders of the Company

(HK\$ million)

2013	28,704
2012	28,112
2011	26,465
2010	28,141
2009	20,985

Basic Earnings Per Share

(HK\$)

2013	0.78
2012	0.66
2011	1.12
2010	1.19
2009	2.99

2013 Review

Milestones of Business Development

- Focus Media, a project invested by Everbright was awarded Best Leveraged Loan/Leveraged Financed Deal



- Everbright and Shandong Hi-speed Group established a joint-venture fund management company



- The Everbright Investment Conference 2013 was successfully held in Shanghai

Corporate Social Responsibility Activities and Recognitions



- The China Everbright Charitable Foundation fully supports and sponsors some long-term charity projects that are beneficial to Hong Kong communities. They include, "The Everbright Project" which has been organised with Caritas Family Crisis Support Centre for four consecutive years to address issues of the middle class in Hong Kong; the "Project Companion – Professional Social Workers in Greater China Scheme" jointly managed with Social Workers Across Borders; and the "Everbright Teachers' Heritage Discovery Tour" organised by the Hong Kong Federation of Education Workers.

- The CEO of Everbright, Chen Shuang, was appointed non-official member of Financial Services Development Council of Hong Kong

- Everbright donated RMB200,000 to areas affected by the Ya'an earthquake



- Everbright's independent non-executive director, Mr. John Seto, was the winner of the Director of the Year Awards 2013



- Everbright was named a "Caring Company" and "Caring Organisation" for the fourth consecutive years



- Everbright and Catalyst Fund from Israel jointly established a private equity fund, the CEL Catalyst China Israel Fund

- Everbright's subsidiary, China Everbright Asset Management Limited, received its Qualified Foreign Institutional Investor (QFII) license and was granted a USD100 million QFII quota

- BGI, a project invested by the Everbright medical and healthcare fund and SOFIII completed its overseas acquisition



- Everbright opened its new office in Qingdao
- Everbright successfully launched the Everbright Dynamic Bond Fund and completed fundraising of USD30 million



- 2012 Annual Report of Everbright won five awards in the 27th International ARC Awards, a gold award at the 23rd Galaxy Awards, and two Platinum awards at the 2012/13 LACP Vision Awards

- The CEO of Everbright, Chen Shuang, took part in the China-U.S. Academic Forum to share his insights on the Trans-Pacific Partnership Agreement and investing in the Pacific



- Everbright volunteers visited Heep Hong Society's special child care centre, the Caritas Lok Kin sheltered workshop, and participated in the "Sowers Action Challenging 2013 – Charity Hiking" event



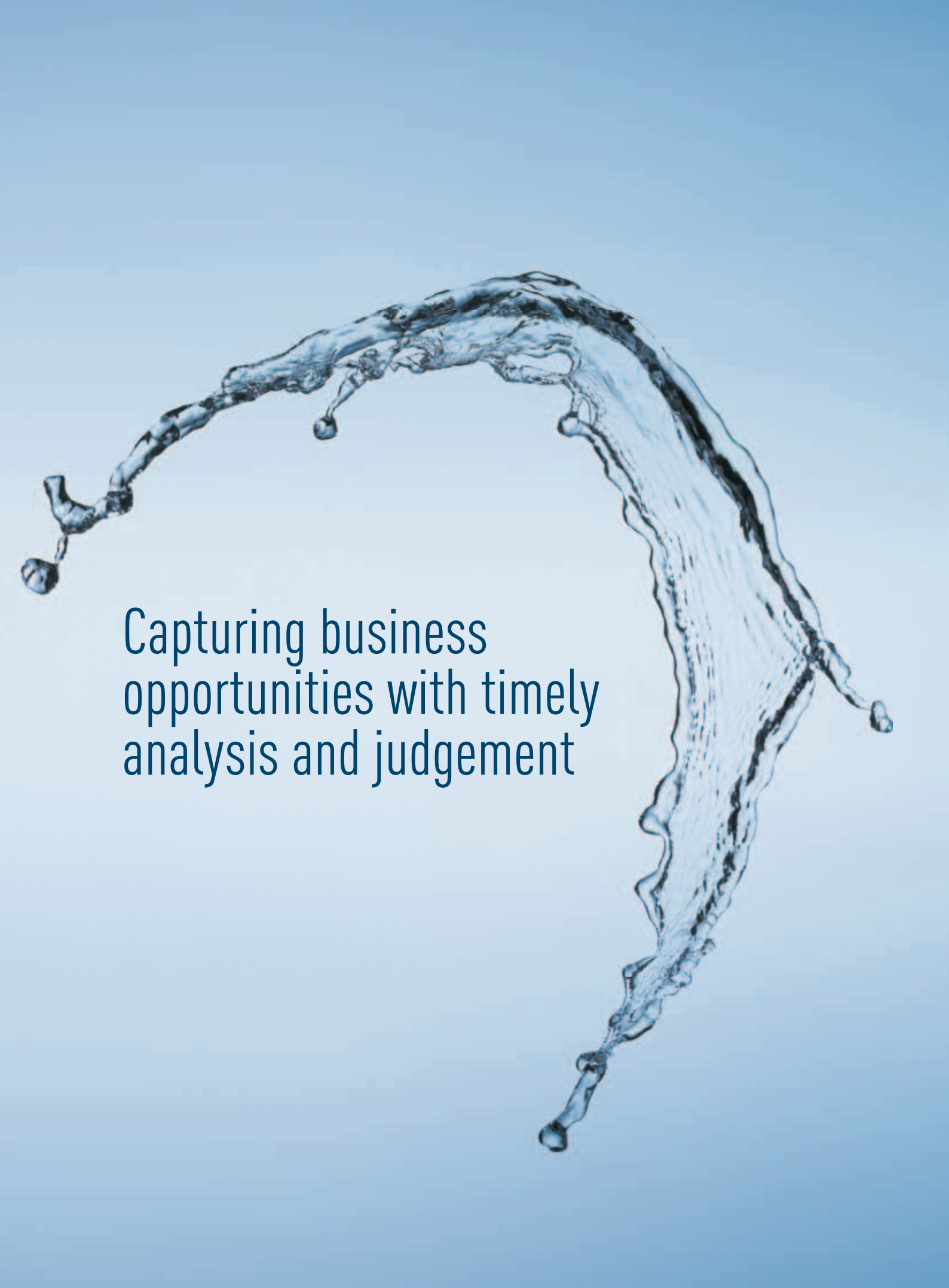
- Boyuan Foundation's Economic Forum, solely sponsored by Everbright, was held in Beijing



- Everbright donated HKD1 million to Lifeline Express in a charity fundraising dinner jointly held by the two organisations



- The Chinese Financial Association of Hong Kong organised a spring reception and investment forum. Its chairman, Chen Shuang is the CEO of the Company

A high-speed photograph of a water splash, creating a large, symmetrical arch that dominates the frame. The water is captured in mid-air, with intricate details of droplets and ripples visible along its length. The background is a solid, light blue gradient, providing a clean and minimalist backdrop for the water's movement.

Capturing business
opportunities with timely
analysis and judgement

Chairman's Statement

The sustainable development of China and the reform across various sectors has created unprecedented opportunities for Everbright's unique cross-border macro asset management platform.



2013 was defined by a challenging macroeconomic environment. To take its business forward, the Company thoroughly reviewed the macroeconomic trends, analysed threats and opportunities, and remained relentless in its operations. As a result, the scale and scope of Everbright's business was expanded, with operational quality and efficiency enhanced.

During the year under review, the Group managed a total of 16 funds. Its assets under management grew 44.4% to HK\$34.5 billion whereas the amount of fund raised increased by 44.8% to approximately HK\$33.3 billion, generating an 18.0% increase of profit attributable to equity shareholders of the Company to HK\$1.35 billion. The Company strengthened its liability management and financial foundation. Its interest-bearing debts gearing ratio rose to 11.5%,

with cash on hand of HK\$3.76 billion and total equity attributable to shareholders of HK\$28.7 billion.

In the year, the Group's associated company, Everbright Securities, managed its operational risks and challenges properly and got operations back on track. Everbright Bank was listed on the Hong Kong Stock Exchange and proved its underlying strength with promising results. The Group transferred its equities shareholding of China Everbright Bank in phase, in accordance with the resource allocation strategy of the parent company, China Everbright Group, and reduced its shareholding to 3.51% as of 31 March 2014.

Looking at the global economy, we see continued trends of recovery and uncertainty. The mainland Chinese economy is likely to be affected by downward pressure and ongoing reforms. In

this environment, the Company will continue to identify and capture business opportunities that play to our strengths. We will also seek to achieve steady progress with our diversified asset and wealth management products.

2013 was tough and we expect 2014 would remain challenging. But I would like to take this opportunity to express my sincere gratitude to our management, staff, shareholders, members of the Board, and the communities of Hong Kong for their valuable support. We are unwavering in our commitment to achieve a balance of scale, quality, efficiency and risk that will help enhance the value of the Company, and we look forward to receiving your continued support.

Tang Shuangning
Chairman

Hong Kong, 31 March 2014

A high-speed photograph of water splashing, creating a dynamic and energetic background. The water is captured in mid-air, with numerous bubbles and droplets visible, suggesting movement and change. The overall color palette is a range of blues, from light sky blue to deep navy blue.

Seizing opportunities in ever-changing markets

Capitalising on a market environment characterised by two-way capital flow across Mainland and Hong Kong, Everbright has realised rapid growth in its cross-border marco asset management business.

Management Discussion and Analysis

The cross-border asset management platform was further consolidated with soaring size bolstered by huge growth in asset under management.

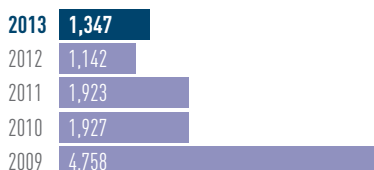
In 2013 global financial markets were divided, with developed countries showing favorable performance in the capital markets. Quantitative easing policy in the United States has led to economic recovery and stability over the past few years, pushing the stock market to a record high. Europe also regained 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 in the Shanghai Composite Index and Shenzhen Component Index of 6.7% and 11.0% respectively in 2013, making China 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 internationalisation 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.

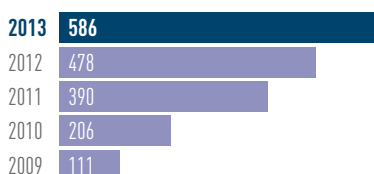
Profit Attributable to Equity Shareholders

(HK\$ million)



Stable Income*

(HK\$ million)



CAGR: 51.6%

* Includes management fees, consultancy fees and interest income

Operating Results

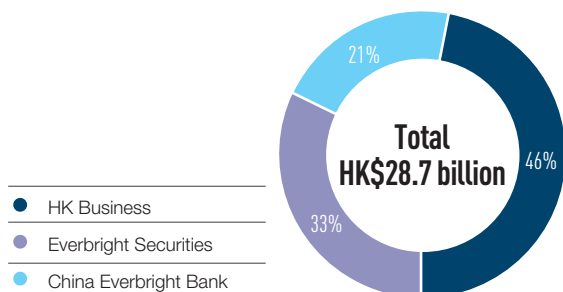
During the fiscal year ended 31 December 2013, the Group's operating income amounted to HK\$1.16 billion, representing an increase of 30.6%. Other net income mainly consists of investment gain, which grew by 5.1% to HK\$1.14 billion. Profit attributable to equity shareholders was HK\$1.35 billion, representing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

For the Hong Kong business, whose core being 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 shareholders 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.

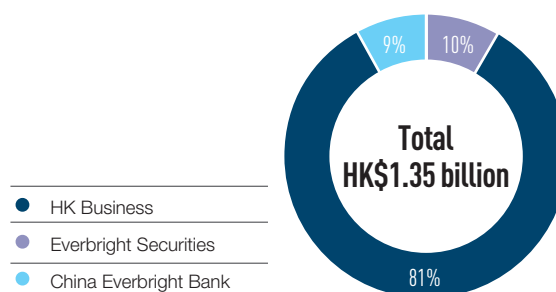
Total expenditure amounted to HK\$660 million, representing a rise of 36.8% over 2012. Total cost over total income ratio rose to 28.8%, 4.2 percentage points higher than the previous fiscal year's 24.6%. In order to better meet Everbright's business development needs and expand its operational scale,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

Associated company 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.

Distribution of Shareholders' Interest Attributable to Equity Shareholders



Distribution of Profit Attributable to Equity Shareholders



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 56.9% from 2009 to 2013, 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.

Business Segment	Fund Nature	Fund	Date of Launch	Investment Coverage	Outstanding Investment	Cumulative Divestment	
Primary Market Investment	Private Equity Fund	China Special Opportunities Fund I (CSOF I)	2004	Industrial and service industries	4*	4	
		China Special Opportunities Fund II (CSOF II)	2007	Telecom, media, hi-tech and consumer industries	8*	–	
		China Special Opportunities Fund III (CSOF III)	2010	Agriculture, consumer goods, services and financial auxiliary industries	9	–	
	Venture Capital Funds	Everbright Zhongguancun Investment Fund	2007	High-growth manufacturing, hi-tech and servicing industries	6	–	
		Everbright Guolian Fund	2009	High-growth industries	8	–	
		Everbright Jiangyin Asset Management Fund	2009	High-growth industries	6	–	
	Sector Funds	Everbright Ashmore Real Estate Fund	2009	China's real estate	18	5	
		Macquarie Everbright Infrastructure Fund Greater China	2010	China's infrastructure, e.g. ports, water and wastewater, renewable energy sector	6	–	
		Everbright Medical and Healthcare Fund	2011	Medical and healthcare industries	3	–	
		Everbright Jiangyin New Energy (low carbon) Asset Investment Fund	2010	New materials, environmental protection and energy saving	2	–	
		Qingdao Everbright (low carbon) New Energy Fund	2013	New materials, environmental protection and energy saving	1	–	
Secondary Market Investment	Asset Management	QDII Greater China Bond Fund	2012	Chinese enterprises bonds/fixed income products listed overseas	–	–	
		Everbright Dynamic Bond Fund	2013	Chinese enterprises bonds/fixed-income products listed overseas	–	–	
	Absolute Return Fund	Absolute return investment	2012	Global hedge opportunities	–	–	
Structured Financing Investment	Onshore Mezzanine Fund	Onshore Mezzanine Fund	2012	Mezzanine financing in PRC	1	1	
Aircraft Leasing	Proactively developing the aircraft leasing business in China and emerging markets through China Aircraft Leasing Company (approximately 44% shareholding)				–	–	
Remarks: * One of the projects was co-invested under private equity funds. – Represents Not Applicable					TOTAL:	71*	10

Number of Investments in All Funds

2013	71
2012	49
2011	36
2010	23
2009	12

Total Fundraising Scale

(HK\$ billion)

2013	33.3
2012	23.0
2011	16.8
2010	10.5
2009	5.5

CGAR: 56.9%

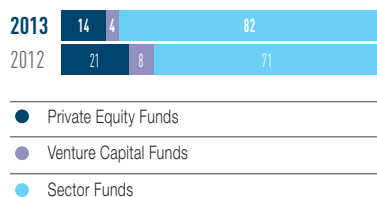
Primary Market Investment

This is Everbright's most mature and scalable operation including private equity funds, venture capital funds and sector funds that focus on investing in and capitalising on non-listed enterprises and industries with long-term growth potential in China.

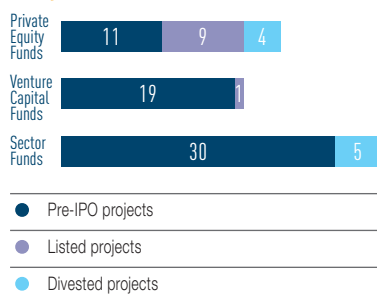


Primary Market Investment Fundraising Scale by Sector

(%)



Primary Market Investment Investment Stages of Projects



1. 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.

Private Equity Funds Investment Stages



● Listed projects

● Pre-IPO projects

● Divested projects

* Co-invested project

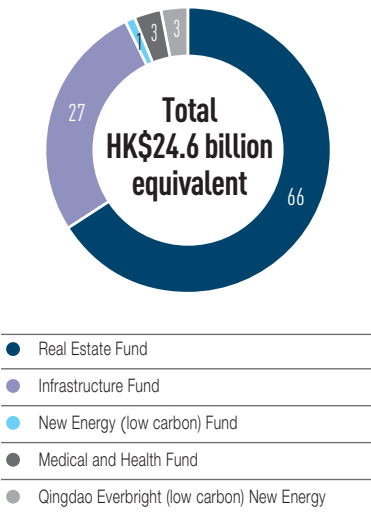
“China Special Opportunities Fund III” is still in the investment stage. During the year the investment team researched 250 potential projects covering the manufacturing, agricultural, science and technology, consumer, environmental and chemical industries. The Fund added 3 investment projects during 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 Fundraising Scale (%)

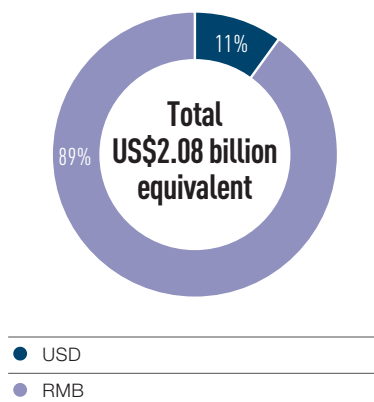


Sector Funds under Primary Market Investment Business

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.

Real Estate Fund Fundraising Scale by Currency



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.

Research by Deloitte shows that China's medical services market will reach more than RMB3 trillion by 2015, creating tremendous room for development.

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 comprising 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

It focuses on investment opportunities in listed securities, this business provides more options for clients via flexible asset allocation. Main products include traditional asset management products and global absolute return funds.



The return of fixed-income products outperformed their benchmark levels.

2. Secondary Market Investment Business

Everbright's Secondary Market Investment is divided into two parts: traditional asset management products, and the global absolute return funds. In the **traditional 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 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 traditional asset management sector managed to register a profit of HK\$5.79 million in 2013.

For the **Global Absolute Return Funds**, 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: thematic 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 Financing & Investment

This business seeks opportunities for financing & investments in the mid to short term, supported by Everbright's abundant financial resources and extensive business channels in primary and secondary market investments. A Renminbi Onshore Mezzanine Fund has already been established, and the Group is now initiating an offshore Mezzanine Fund in US dollars.



Structured Finance and Investment Business Management Fee, Consultancy Fee and Interest Income

(HK\$ million)

2013	207
2012	267
2011	140

3. 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, management fee 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, with a 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** of fundraising scale of RMB800 million 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.

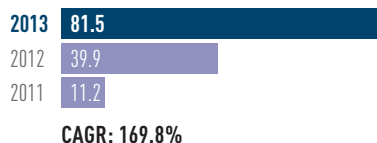
Aircraft Leasing

As the substantial shareholder of China Aircraft Leasing Company Limited, Everbright actively drives the rapid development of the aircraft leasing business in China and emerging markets. At present, major models are the Boeing 737 and Airbus 320 and 330, which are leased to sizable state-owned airlines in China.



Aircraft Leasing Share of Results

(HK\$ million)



4. Aircraft Leasing Business

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 aircraft procurement. 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 not only helps these carriers' expand their fleets and operation network, but also optimises 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.

Share of Results from Everbright Securities

(HK\$ million)



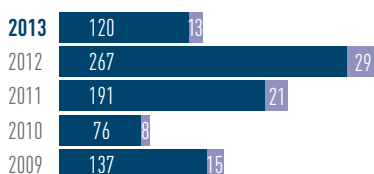
Everbright Securities

In 2013, with China's gloomy economic outlook and the suspension of IPO applications, 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 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.

Dividend Income from China Everbright Bank

(HK\$ million)



● Dividend income after tax

● Dividend income tax

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%.

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 blessed 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.

Striving to build a cross-border asset management company with leading capabilities in providing high growth, high return as well as stable income.

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 and Structured Financing and Investment, the Group will leverage its competitive advantages, continue to 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 helps the Group maximise its returns for shareholders and clients.

Chen Shuang

Executive Director and Chief Executive Officer

Hong Kong, 31 March 2014



Sowing the seeds of love with caring and unique corporate social responsibility initiatives

Everbright draws on its expertise and resources to create deep, meaningful relationships and sustainable environment with shareholders, business partners, employees and communities.

Corporate Social Responsibility Report

The international financial market has seen substantial volatility over the past few years. Despite this, Everbright has been able to successfully transform itself from a traditional investment bank to a cross-border macro asset management platform by capitalising on its solid foundation and visionary strategies. During this time it has generated steady business, driving maximum benefits and forging long-term partnerships based on mutual trust with shareholders, investors, clients and business partners and employees. Everbright has also been committed to the communities it calls home. The Company established the China Everbright Charitable Foundation in 2008, which has supported a number of charitable initiatives since the global financial tsunami.



The Foundation's success has been recognised by the Hong Kong Council of Social Service, which presented it and the Group with "Caring Company" and "Caring Organisation" awards for four consecutive years. These awards were given for the Group's on-going efforts and achievements in the field of corporate social responsibility.



The Group implements a proven risk management mechanism that protects mutual capital investors, equilibrium benefits and personnel retention, aiming to build long-term partnerships based on mutual trust with clients and business partners.

Clients and Business Partners

Everbright's cross-border macro asset management platform connects the thriving mainland China and Hong Kong markets, both of which possess huge potential. In recent years the Group has also actively sought overseas investment and cooperation opportunities. In order to strengthen fund investors' and business partners' confidence, the Group implements a proven risk management mechanism that protects mutual capital investors, equilibrium benefits and personnel retention, aiming to build long-term partnerships based on mutual trust with clients and business partners.

Before seeking external funding, the Group invests a certain amount of seed capital in each fund to demonstrate its confidence and commitment to the fund. During the capital commitment period, investment teams are required to invest a certain amount of its proprietary funding as risk capital into the fund, enabling the same level of interest for both the fund management teams and fund investors. An independent investment assessment committee (or similar entity) is also established for each fund to maintain sound operations and ensure that the interests of external investors are protected. When the funds are investing in or exiting from specific projects, the stake interest held by the fund management team is in line with the holdings of other investors. This ensures that the fund management teams exercise a prudent, pragmatic approach underscored by proper risk awareness when making investment decisions.

In the last decade, the financial sector was heavily impacted by market turbulence from both the financial crisis and financial tsunami. The collapse of gigantic financial institutions led to fundamental thoughts about the equilibrium between rapid business expansion and risk control. By leveraging its sound corporate governance and risk management system (please refer to the Corporate Governance Report for details), the Group has managed to achieve fast yet steady growth in a notably bearish investment environment, while capturing opportunities by expanding its business horizons as markets recovered.

In order to enhance communications and interactions with the fund investors and business partners, the Group held its first Everbright Investment Conference in 2012, which received positive feedback from institutional investors, business partners and various business units within Everbright. In 2013 the Group held the second Everbright Investment Conference in Shanghai. Over 250 institutional investors and business partners from all around the world attended the conference, which was themed "New Frontiers for China". The Group showcased the latest developments in its asset management platform as well as its strategies and prospects, which gave guests the opportunity to learn more about the funds' operations. The conference provided investors and business partners with a better understanding of Everbright's business developments and advantages, and it also allowed attendees to explore collaboration opportunities across different sectors and formats for maximum synergy and benefit.

For the ease and convenience of investors and shareholders, Everbright optimised and upgraded its website (www.everbright165.com).

Shareholders and Investors

To enhance corporate transparency, the Group places significant emphasis on maintaining good communication channels and keeping close contact with shareholders and investors.

Every year the Group participates in investor conferences organised by leading financial institutions. In 2013 there were group or one-on-one meetings with almost 200 institutional investors and analysts. Highlights of these meetings are available on the “Investor Relations” section of the Group’s website. 16 analyst reports were generated by seven well-known financial institutions. During the year, the Group also undertook a number of reviews of its shareholding structure by examining shareholding volume and changes, which helped it implement its investor relations programme in a more efficient way. The Group also aggregated investor relations reports for the Board’s review on regular basis. These included external communications, investor feedback and changes in share price. The Company’s shareholding pattern allows the Board to better understand the investment community’s views and suggestions regarding Everbright’s development strategies.

For the ease and convenience of investors and shareholders, Everbright optimised and upgraded its website (www.everbright165.com).

In addition to giving the site a clearer, more artistic design and layout, the Group also enriched the content of the “Investor Relations” section, providing practical tools such as interactive financial data and stock charts. As to disclosure of information, viewers can subscribe to the latest news and be updated automatically about the Company and its activities.

In addition, the Group’s management communicates directly with shareholders at the annual general meeting. The Group also holds press conferences and analyst presentations twice a year, after its interim and annual results published. These presentations are recorded and made available as webcasts on the Company’s website for viewing at any time by the public.



Employees

The Group sees its employees as “partners” and considers them its most important asset. The Group recruits the top-notch talent from the financial sector and builds up its distinguished fund management team upon its principle of “Creative Value to Share Value”. Employees share the fruits of the Group’s success by creating economic value and enhancing work efficiency.

In terms of enhancing individual competencies, Everbright provides an instrumental package for the career development of its employees. In addition to study allowances and paid study leave, the Group organises regular training programmes to boost skill sets and team spirit. In 2013 an outward bound training was held in Qingdao for middle and senior management. China-based employees are provided on-the-job training exchanges in Hong Kong. New staff members receive a clear overview of the Group through regular training sessions on human resources, brand culture and risk management systems. The Group arranges talks to facilitate exchange between senior management and new staff, give management a better understanding of employees and their views, and enhance contact and interaction. Also, the Group organises an annual gathering of employees and their families that help promote work-life balance.



Everbright places appreciable emphasis on maintaining a good exchange of information and interactions with its employees, via diversified formats. The Group uses internal email, “Partner Express”, as the vehicle for publishing company news and real-time information. Relevant content is released to institutional investors and media in the form of presentations and press releases. The “Partner”, the Group’s bimonthly electronic periodical, integrates key business information, branding development and scenes of employee life together into one handy publication, which is then disseminated via online media to keep colleagues in the Mainland and Hong Kong in close contact. The Group also publishes hard copies of the “Partner” by consolidating all the experiences of the past year into a single book, which helps accommodate the various reading habits of employees. In order to offer more convenience for employees and improve work efficiency, the Group is also developing an online collaborative office management platform with comprehensive functions. It is the Group’s wish that this platform will allow employees to access company information and conduct administrative work from anywhere, whether they are in or out of the office.



In order to further enhance camaraderie among employees, Everbright set up a volunteer team in 2012 that gives staff the chance to give back to society by participating in volunteer services. During 2013, the Group’s management and employees visited a special child care centre, sheltered workshop and other social service agencies to volunteer. Management and employees also formed teams and participated in charitable activities such as the “Sowers Action Challenging 2013 – Charity Hiking” and the Everbright Project’s “Happy 1+1 – Support My Family”. The Group will continue to organise regular activities so that the Everbright volunteer team can continue to grow and serve the community.

In recent years Everbright has used various means, including timely information-sharing, diversified company activities, staff welfare programmes and incentives, to build a closer partnership with its employees. These efforts have also resulted in meaningful contributions to the Group’s business success by establishing its own fund teams, and retaining and recruiting the best talent.

Most of the long-term social service projects supported by Everbright are unique, sustainable in nature and benefit those who tend to be overlooked by society.

Community

In Hong Kong, the poverty, disabled and those with health illness are in general labelled as “the needs”. Government and lots of corporate philanthropists poured resources to the needs. As a CSR-committed corporation, Everbright is a strong supporter of disaster relief, poverty relief and related charitable events. The Group has given generously to disaster victims and poverty-stricken areas in the Mainland, and it contributes long-term support to many social service projects. Most of these causes are unique, sustainable in nature and benefit those who tend to be overlooked by society.

In 2009, before many of the social problems faced by the middle class emerged, Everbright sponsored the Caritas Family Crises Support Centre and jointly launched “The Everbright Project” to provide community services specifically targeted towards Hong Kong’s middle class. Everbright then lent its full support to Social Workers Across Borders in 2012 and established the “Project Companion – Professional Social Workers in Greater China Scheme” (“Project Companion”), with the aim of training professional social workers and providing post-disaster counselling in the Mainland. In 2013 Everbright sponsored the Hong Kong Federation of Education Workers and launched the “Everbright Teachers’ Heritage Discovery Tour”, a programme providing Hong Kong teachers with the opportunity to visit various cities in Jiangsu. After the visit, teachers would talk to students about what they saw and heard during their travels, enriching the students’ National Education curriculum and inspiring their love for their country. Over the past couple of years Everbright has also formed a close partnership with Lifeline Express, becoming one of the biggest sponsors who are helping this worthy cause cure cataract patients in poverty-stricken areas in the Mainland. There is a common trait that the middle class, social workers and teachers share. They are all individuals who work hard and make huge contributions to society, yet they are often overlooked. As an enterprise based in Hong Kong and supported by the Mainland, Everbright hopes to introduce more programmes that will benefit Hong Kong communities and development in the Mainland through important works by its charitable foundation.



“The Everbright Project”: A community services programme targeting the middle class in Hong Kong

In recent years, the fluctuating Hong Kong economy has put the middle class, the backbone of the society, under significant stress. This pressure stems from work, social life and rising property prices. The middle class often does not benefit from any government policies, which are focused on the grassroots. And, unlike in the golden age of the ‘90s, it is more difficult today for one to work towards affluence. This has caused many middle-class people to develop emotional, confidence, economic, work-related and family issues.

In 2009 Everbright formed a partnership with the Caritas Family Crises Support Centre to launch the Everbright Project, the first-ever community service program targeting the middle class in Hong Kong. The project fosters the idea of positive mentality and life planning to help middle-class individuals realise their full potential at various stages of life – in career development, interpersonal relationships, family planning, retirement planning and lifestyle change after retirement. It also promotes a balanced, happy and healthy lifestyle through the Group’s “Making Life Simple” philosophy.



Since its launch five years ago, the Project has organised several major seminars and over 300 service series activities. These activities were very popular; events held in the last two years have attracted over 10,000 participants, showing high demand. In addition, the Everbright Project has held over 100 successful corporate workshops that help companies and their employees build harmonious interpersonal relationships and achieve sound work-life balance.

The Project has also invited renowned local academics to carry out several comprehensive stress level studies on the middle class in Hong Kong. The report and press conference of the survey results were widely covered by local media. The survey report was also submitted to relevant Government departments, which helped the Project become a communication platform for the Government and the middle class in addition to its diversified service offerings that enhance mutual understanding and feedback. As at the end of 2013 the Everbright Project had over 1,800 registered members and nearly 150 registered volunteers. Its services have benefited over 25,000 people, and it is Hong Kong's largest middle class service programme.



“Project Companion – Professional Social Workers in Greater China Scheme”: Training professional social workers in mainland China to care for victims of natural disasters

In 2012 the China Everbright Charitable Foundation and Social Workers Across Borders established the “Project Companion – Professional Social Workers in Greater China Scheme” (“Project Companion”), a two-phased project to be carried out over a period of five years. The scheme utilises the expertise of seasoned social workers from Hong Kong to train practicing social workers, social work teachers and students as well as social service organisations in mainland China. It also helps them acquire the knowledge and skills required for post-disaster support and other social services, such as crises management, counselling and social worker skills.

Project Companion was officially launched in early 2013 when its operations commenced in Wuhan, Chengdu and Harbin for a period of two years. After recruiting over 70 Hong Kong social workers as teachers, and training over 900 social workers in the Mainland, the Project also set up a Project Companion Team of 60 social workers, who provided professional post-disaster counselling and support. After the Sichuan earthquake, Project Companion immediately dispatched the Project Companion Team to affected areas, putting the Project into practice. Over 500 people have benefited from Project Companion over the last two years, gaining appreciation from local academic institutions and social service organisations as well as support from local governments.



“Everbright Teachers’ Heritage Discovery Tour”: A programme for Hong Kong teachers to visit the Mainland

In addition to social welfare services, the China Everbright Charitable Foundation also focuses on education. At the end of 2013, Everbright collaborated with the Hong Kong Federation of Education Workers to jointly launch the “Everbright Teachers’ Heritage Discovery Tour”, a five-year national education programme that provides Hong Kong teachers a chance to visit the heritage sites and understand the new development of mainland China. Running under a different cultural topic every year, the programme brings 40–50 Hong Kong teachers to the Mainland to exchange ideas with local educators and visit ancient historic sites, which helps enhance the teachers’ knowledge of Chinese history and culture. After these visits, participating teachers are required to prepare a lesson plan and share their experiences with students.



Other community projects and donations

In the past four years, Everbright has supported victims of the Sichuan earthquake and the Qinghai earthquake, typhoon victims in Taiwan, and impoverished areas in the Mainland. The Group helped the Central Conservatory of Hong Kong Foundation and the Jackie Chan Charitable Foundation organise fundraising events. It also hosted the annual charity gala dinner with Lifeline Express. All these activities raised over HK\$10 million for charity.



Contributing to socioeconomic and cultural activities

Everbright is very involved in promoting socioeconomic and cultural activities through the knowledge and influence of its professional sector. The Group’s management holds a number of honourable positions in the financial sector, including Chairman of the Chinese Financial Association of Hong Kong, Vice Chairman and Founding Member of the Chinese Securities Association of Hong Kong, and standing member of the China Mergers and Acquisitions Association. In 2013 Chen Shuang, Chief Executive Officer of the Group, was also appointed as a non-official member of the Financial Services Development Council, who has made many practical recommendations to the Hong Kong Government in relation to the internationalisation of the renminbi and development of the Hong Kong financial market.

Investment and divestment packed by sound risk management

Strengthened by sound corporate governance practices,
Everbright's interests and those of stakeholders are closely intertwined.



Corporate Governance Report

Governance Principles and Structure

The Company always aims to comply with established corporate governance best practices, and the core value of the Company is to protect the interests of its shareholders, customers, staff and other stakeholders. It is committed to strictly abide by the laws and regulations of Hong Kong and observe the rules and guidelines issued by the relevant regulatory authorities such as the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The Company also constantly reviews its corporate governance practices to meet international and local best practices. One of the core values of the Company is that the highest standard of integrity is essential to business development.

The Company recognises the importance of high standards of corporate governance and maintains an effective corporate governance framework which delivers long-term success of the Group. The Company is also strongly committed to embracing and enhancing sound corporate governance principles and practices. The established and well-structured corporate governance framework directs and regulates the business ethical conduct of the Company, thereby protects and upholds the value of shareholders and stakeholders as a whole in a sustainable manner.

The Board would like to confirm that, subsequent to careful examination and review, the Company has complied with the Corporate Governance Code ("the Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") for the year ended 31 December 2013.

Board

Composition of the Board

The Company is led by the Board that is effective and of quality. The Board acts honestly and fiducially, which makes decisions objectively for the best interests of the Company, so as to bring maximum value to the shareholders in the long term and practically fulfill its obligations to the stakeholders of the Company. The Board is comprised of a balanced portfolio from executive directors, non-executive director and independent non-executive directors ("INEDs"). Currently the Board has 9 members:

Name of Directors	Title
<i>Executive Directors</i>	
Mr. Tang Shuangning	Chairman
Mr. Zang Qiutao	Deputy Chairman
Mr. Chen Shuang	Chief Executive Officer
Mr. Tang Chi Chun, Richard	Chief Financial Officer
Mr. Jiang Yuanzhi	Chief Investment Officer
<i>Non-executive Director</i>	
Mr. Wang Weimin	Non-executive Director
<i>Independent Non-executive Directors</i>	
Mr. Seto Gin Chung, John	Independent Non-executive Director
Dr. Lin Zhijun	Independent Non-executive Director
Dr. Chung Shui Ming, Timpson	Independent Non-executive Director

Mr. Ng Ming Wah, Charles retired as the INED of the Company on 15 May 2013.

Mr. Tang Chi Chun, Richard, Dr. Lin Zhijun and Dr. Chung Shui Ming, Timpson are directors with financial management expertise. Half of the members of the Board are executive directors and the other half are non-executive directors (including INEDs). The proportion shared by the INEDs satisfies the requirements of the relevant rules and regulations.

All directors are management officers and outstanding persons with wide experiences in the financial industry. They have abundant professional expertise to fully understand our businesses and the necessary skills to deal with our business matters. Each of them is prudent, objective, diligent and has devoted sufficient time and efforts to handle the Group's affairs.

Non-executive directors (including INEDs) provide the Group with diversified expertise and experience. Their views and participation in the meetings of the Board and the Board Committees bring objective and independent judgments and advices on issues relating to the Group's strategies, performances, conflicts of interest and management processes, which ensure that the interests of all shareholders are taken into account.

With the assistance of the Nomination Committee, the Board reviews its structure, size and composition (including skills, expertise and experiences) on an annual basis. The Board considers the composition and proportion of its members rational and appropriate, which can fully leverage on balance of powers such that the interests of the Company and the shareholders will be protected to the maximum extent.

All the existing directors (including non-executive director and INEDs) of the Company have been appointed through formal letters of appointment setting out the key terms and conditions of their appointment.

Pursuant to the Articles of Association of the Company, all directors, including the Chairman and the Chief Executive Officer, shall retire by rotation at least once every three years at annual general meetings and be eligible for re-election. All new directors appointed by the Board are subject to re-election by shareholders at the next general meeting. At every annual general meeting of the Company, re-election of each director (including INED) has been assigned as a separate resolution for shareholder's voting.

Mr. Tang Shuangning, Mr. Zang Qiutao and Mr. Chen Shuang are also directors of China Everbright Holdings Company Limited, the controlling shareholder of the Company. If any substantial shareholder or director has a potential conflict of interest in a matter to be considered by a general meeting or the Board, the relevant directors shall abstain from voting and a Board meeting attended by INEDs who have no material interest in the matter shall be held to discuss and vote on the same. Save as disclosed above, there are no relationships (including financial, business, family or other material/relevant relationship(s)) among the Board members.

Board Diversity

The Board recognizes the importance of having a diverse Board in enhancing the board effectiveness and corporate governance. A diverse Board will include and make good use of differences in the skills, industry knowledge and experience, education, race, age, gender, background and other qualities of directors. These differences will be taken into account in determining the optimum composition of the Board and when possible should be balanced appropriately.

The Nomination Committee of the Company has the responsibility for identifying and nominating directors for the approval by the Board. It takes the responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the Board and assessing the extent to which the required skills are represented on the Board and overseeing the Board succession, and also responsible for reviewing and reporting to the Board in relation to Board diversity.

Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, including age and gender. Selection of female candidates to join the Board will be, in part, dependent on the pool of female candidates with the necessary knowledge, experience, skills and educational background. The final decision will be based on merit and contribution the chosen candidate will bring to the Board.

The Board considers that Board diversity, including gender diversity, is a vital asset to the business.

At present, the Board has not set any measurable objectives to implement the Board diversity policy. However, the Board will consider and review the Board diversity policy and setting of any measurable objects (if applicable) from time to time.

Directors' Liability Insurance

The Company has in place an appropriate directors' and officers' liability insurance policy for each member of the Board to cover their liabilities on damages arising out of corporate activities. The coverage and the sum insured under the policy are reviewed on an annual basis.

Responsibilities of the Board

The Board is at the core of the Company's corporate governance framework, and there is a clear division of responsibilities between the Board and the Management. The Board is responsible for providing high-level guidance and effective oversight of the Management. In general, the Board:

- approves the Group's long term strategy and monitors the implementation thereof;
- reviews and approves the annual business plan and financial budget;
- approves the annual and interim results;
- reviews and monitors risk management and internal control of the Group;
- ensures good corporate governance and compliance; and
- monitors performance of the Management.

The Board authorises the Management to carry out the approved strategies. The Management is responsible for the day-to-day operation of the Group and is required to report to the Board regularly. The Board has formulated the Terms of Reference of the Board and the Mandate of the Senior Management and the Management Decision Committee, which set out the circumstances under which the Management should report to and obtain prior approval by the Management from the Board before making decisions or entering into any commitments on behalf of the Group. The Board regularly reviews the Mandate, and will update and amend the Mandate when appropriate.

Division of Responsibilities between the Chairman and the Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are held by Mr. Tang Shuangning and Mr. Chen Shuang respectively so as to comply with the Code, whilst their roles are distinct and are clearly established and stipulated in their terms of reference. In short, the Chairman leads the Board in order to ensure that the Board discharges its formal responsibilities and conforms to good corporate governance practices and procedures. Besides, as the Chairman of the Board, he is also responsible for making sure that all directors are properly informed of important issues which the Company is focusing on and that all directors receive accurate, timely and clear information. The Chairman also leads the Board in formulating business objectives and their related strategies. He is also responsible for organizing the business of the Board, setting its agenda and ensuring its effectiveness with the assistance of the Company Secretary. The Chairman facilitates the effective contribution of the directors and the effective communication with the shareholders. Mr. Zang Qiutao as the Deputy Chairman of the Board assists the Chairman in overseeing and giving guidance to the Management in order to enhance the functions of the Board. The Chief Executive Officer is responsible for leading the Management, who implements and executes the important policies and development strategies approved by the Board with the assistance of the Management. The Chief Executive Officer is also directly responsible for the day-to-day operation of the Group and regularly reports to the Board.

The Terms of Reference of the Board, which are published on the Company's website www.everbright165.com and the website of the Stock Exchange, contain the terms of reference of the Board as updated from time to time. The Terms of Reference of the Board clearly define the terms of reference of the Board as well as all the Board Committees. The Board Committees make recommendations to the Board on relevant matters within their terms of reference, or make decisions under appropriate circumstances within the power delegated by the Board. Designated secretaries are assigned to all Board Committees to provide professional company secretarial services to the latter in order to ensure that they have adequate resources to discharge their responsibilities properly and effectively. According to the Terms of Reference of the Board, the Board and the Board Committees review and evaluate their respective work processes and effectiveness on an annual basis. The list of directors and the roles and functions of all directors are clearly set out in the Terms of Reference of the Board. The Board shall also promptly update and revise the Terms of Reference according to its needs, and the updated Terms of References of the Board will also be uploaded timely to the Company's website and the website of the Stock Exchange for public inspection.

Training and Support for Directors

The Listing Rules require directors to understand their responsibilities as directors of listed companies. To ensure that newly appointed directors have adequate understanding on the responsibilities as directors of listed companies as well as the operations and business of the Group, the Board has set up an induction system for new directors. The Company Secretary will conduct such induction to each of the new directors following their appointments becoming effective, which include description of directors' duties, the Listing Rules, introduction of corporate governance structure and our businesses. To ensure that all existing directors have a regular update on their knowledge, so as to form informed recommendations and advices to the Board, the Board has established a guideline on directors' training. In addition to arranging appropriate trainings to existing directors on an annual basis, the Company issues monthly circulars to Board members, contents of which include the monthly financial statements of the Group, together with reports to the directors about latest information on the Company's operation, investor relations reports, and training material to directors relating to their responsibilities. The training material is mainly used to provide Board members on significant changes in the regulatory requirements applicable to both the directors and the Company, the latest development in the industry and the latest development of corporate governance practices in a timely manner, which can update and review their knowledge and skills associated with directors' duties. The Company Secretary also arranges meetings between Board members and front-line business teams in a timely manner, which enables the Board members to enhance better understanding of the front-line business development of the Company. In 2013, the Board members conducted meetings with business teams in Shanghai and Hong Kong respectively and attended the Everbright Investment Conference 2013 held in Shanghai in November to comprehend the business operation and the recent development in the industry. Furthermore, the Company also encourages all Board members to actively participate in continuing training programmes. In addition to arranging trainings to existing directors regularly, the Board members are also encouraged to participate in professional training programmes as they consider appropriate, with a view to develop and update their knowledge and skills.

Apart from the above training offered by the Company, based on the training records provided to the Company by the directors, the directors also participated in the following trainings during 2013:

Directors	Type of trainings
Executive Directors	
Tang Shuangning	B, C
Zang Qiutao	A, C, D
Chen Shuang	A, B, C, D
Tang Chi Chun, Richard	A, C, D
Jiang Yuanzhi	A, C, D
Non-executive Director	
Wang Weimin	A, C, D
Independent Non-executive Directors	
Seto Gin Chung, John	A, C, D
Lin Zhijun	A, B, C, D
Chung Shui Ming, Timpson	A, C, D

- A: attending seminars and/or conferences and/or forums
 B: delivering talks at seminars and/or conferences and/or forums
 C: reading information, newspapers, journals and materials relating to the responsibilities of directors, economy, fiscal, financial, investments and business of the Company
 D: attending site visit arranged by the Company

Remuneration of Directors and Senior Management

The remuneration of the members of the senior management by band for the year ended 31 December 2013 is set out below:

Remuneration Bands (HK\$)	Number of persons
HK\$5,000,001 to HK\$5,500,000	2
HK\$5,500,001 to HK\$6,000,000	1
HK\$9,500,000 to HK\$10,000,000	2

Further particulars regarding directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 8 of the financial statements.

A total of 4 Board meetings were held during the year. The schedule for the regular meetings of the Board and the Board Committees was prepared and approved by the Board at the end of the previous year. Formal notices were sent to all directors at least 14 days before the meeting shall be held officially. In general, the Board agenda and meeting materials were dispatched to all Board or relevant committee members for review at least 3 working days before the meetings. The agenda had been prepared after sufficient consultation with the Board/Board Committee members and the Management and was then approved by the respective chairmen. The Company Secretary is responsible for submitting the papers of Board meetings and relevant information to the directors, who have to capture the related information timely and further obtain more if necessary or seek independent professional advice accordingly. The minutes of the Board/Board Committees contain detailed records of all the issues considered and the decisions made by the directors. The minutes, upon reviewed by all the Board members, are properly kept by the office of the Company Secretary. The Board can also seek the advices and services from the Company Secretary or the secretaries of the respective Board Committees. The Company Secretary is also responsible for ensuring compliance of the procedures of the Board as well as the applicable laws, rules and regulations. Apart from the regular Board meetings, the Company Secretary also arranges a meeting for the Chairman and the Deputy Chairman of the Board to meet all INEDs in the absence of the executive directors and the management. Individual attendance records of the relevant directors in 2013 are set out in the table at the end of this report.

The directors have to spend substantial amount of time for the meetings of the Board and the Board Committees, including reading the papers before the meetings, allowing sufficient discussion of the issues in the meeting and giving in-depth understanding to the follow-up issues under the agenda after the meeting. The Company also required the directors to disclose to the Company each year the number and nature of offices held in public companies or organisations and other significant commitments, with an indication of the time involved. The Board considered all directors had devoted sufficient time and efforts to deal with matters of the Group.

Board Committees

Taking into account the market practices and international best practices in corporate governance, the Board established 5 Board Committees to carry out its responsibilities. They are the Executive Committee, the Audit and Risk Management Committee, the Nomination Committee, the Remuneration Committee and the Strategy Committee. In addition, the Board will, if necessary, authorise an independent board committee comprising all INEDs to review, approve and monitor the connected transactions (including continuing connected transactions) in accordance with the requirements of the relevant laws and regulations. The Terms of Reference of the Board clearly define the terms of reference of the Board Committees. The Board Committees can make recommendations to the Board on relevant matters within their terms of reference, or make decisions under appropriate circumstances within the power as delegated by the Board. As mentioned, the Terms of Reference of the Board, which set out the terms of references of all the Board Committees, are published in details on the Company's website and the website of the Stock Exchange.

Executive Committee

The Executive Committee, which was established in 2005, is the organ for making significant business decisions of the Company. Upon the delegation by the Board, the Executive Committee makes decisions regarding major issues as proposed by the Board through interactive communications from time to time concerning monitoring over the Group's business objectives, business development plans and major business projects. Mr. Zang Qiutao, the Deputy Chairman of the Board, is the Chairman of the Executive Committee. The Executive Committee currently comprises 4 members: Mr. Zang Qiutao (Deputy Chairman of the Board), Mr. Chen Shuang (Chief Executive Officer), Mr. Tang Chi Chun, Richard (Chief Financial Officer) and Mr. Jiang Yuanzhi (Chief Investment Officer). In 2013, the Executive Committee approved a number of major issues through written resolutions.

Audit and Risk Management Committee

The Audit and Risk Management Committee, which was established in 1999 and formerly known as the Audit Committee, mainly assists the Board in fulfilling its responsibilities relating to the supervision of the financial statements, internal control, internal audit and external audit of the Group. The written terms of reference of the Audit and Risk Management Committee, which were prepared with reference to “A Guide for Effective Audit Committees” published by the Hong Kong Institute of Certified Public Accountants and updated with reference to the requirement of the Code, were approved and properly authorized by the Board. The Terms of Reference of the Audit and Risk Management Committee is available for inspection at the Company’s website. In short, the Audit and Risk Management Committee mainly assists the Board in performing its role in the Group in the following areas, amongst others:

- ensuring that the financial reports are accurate and comply with the appropriate accounting standards, and that the reporting procedures of the Company’s financial reports are carried out;
- ensuring that the scope and guidance of the internal and external audits are sufficient;
- considering the qualifications and independence of external auditors and the fees for the year (including non-audit services);
- ensuring that appropriate internal control measures are in place and followed;
- reviewing and dealing with the Company’s internal audit functions, the effectiveness of the Company’s corporate governance structure and its implementation;
- overseeing the Company to abide by any applicable laws and to comply with regulations of the relevant regulators and to maintain its business ethics;
- making recommendations to the Board where necessary, and to carry out duties within the delegated authority of the Board;
- meeting the auditors, at least annually, in the absence of the Management, to discuss matters relating to any issues arising from the audit and any other matters the auditors may wish to raise; and
- reviewing arrangements that employees of the Company can use, in confidences, to raise concerns about possible improprieties in matters of financial reporting, internal control or other matters.

The work performed by the Audit and Risk Management Committee in 2013 included the review and, where applicable, approval of:

- the Group’s financial statements for the year ended 31 December 2012 and the annual results announcement thereof, which were recommended to the Board for approval;
- the Group’s interim financial statements for the six months ended 30 June 2013 and the interim results announcement thereof, which were recommended to the Board for approval;
- the audit report and management letter submitted by the external auditors;
- the quarterly risk assessment report submitted by the Chief Risk Officer;
- the quarterly internal audit report submitted by the Internal Audit and Compliance Department;
- the re-appointment of external auditors, and the audit fees payable to external auditors for the annual audit and interim review;
- the Group’s internal audit plan and key areas of the internal audit work focus for 2013; and
- Whistleblowing Policy related matter.

In addition, pursuant to paragraphs C.2 and C.3.3 of the Code, the Audit and Risk Management Committee conducted an annual review of the effectiveness of the internal control systems of the Group with the assistance of the Internal Audit and Compliance Department. The internal control review of the Group covered all material aspects, including financial, operational and compliance controls as well as risk management. Upon completion of the review, the Audit and Risk Management Committee considered that the key areas of the Group's internal control systems were reasonably implemented and were able to prevent material misstatements or losses, safeguard the Group's assets, maintain appropriate accounting records, ensure compliance with applicable laws and regulations, and generally the internal control requirements of the Code have been fulfilled. Such views were recommended to the Board. Please refer to the section headed "Internal Control" for detailed information about the review.

The Audit and Risk Management Committee comprises 3 members, and all members including the chairman are INEDs. It is chaired by Dr. Chung Shui Ming, Timpson, who has professional qualifications and wide experiences in financial business. As to the remaining members, Mr. Seto Gin Chung, John has wide experiences in financial business. Dr. Lin Zhijun has appropriate professional qualifications and experiences in financial matters, whilst a total of 7 Audit and Risk Management Committee meetings were held during the year with an attendance rate of 100%. Individual attendance records of the relevant members of the Audit and Risk Management Committee in 2013 are set out in the table in the last part of this report.

Nomination Committee

The Nomination Committee, which was established in 2005, is responsible for assisting the Board in nominating the right candidates for directorship and senior management positions as well as for evaluating the competence of the candidates to ensure that they are in line with the Group's overall development directions. The Nomination Committee assists the Board in fulfilling its supervisory role over the Group in the following areas, amongst others:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of INEDs;
- to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the Chief Executive Officer; and
- to make recommendation to the Board on the appointment or re-appointment of senior management.

Based on the successful experiences in the recruitment of directors and senior management, the Nomination Committee first takes into account the existing skills, knowledge and experiences of the Board and Board Committees, and the business requirements of the Group in order to determine the key requirements for the candidates and objective criteria for selection. Such criteria include relevant expertise, integrity, industry experiences and independence.

The Nomination Committee currently has 4 members comprising Dr. Lin Zhijun, Mr. Seto Gin Chung, John, Mr. Zang Qiutao and Dr. Chung Shui Ming, Timpson, for which Dr. Lin Zhijun, an INED, is the chairman. The INEDs represent a majority of the committee members. Stability of the Board members, Committees members and senior management was maintained in 2013 and the Nomination Committee held two meetings in the year in relation to the appointment of Chairman of Audit and Risk Management Committee, and the review of the structure, size and composition (including skills, experience and knowledge) of the Board and the Board Committees.

Remuneration Committee

The Remuneration Committee, which was established in 2005, is responsible for assisting the Board in overseeing the Group's human resources and remuneration policies. The Remuneration Committee assists the Board in fulfilling its supervisory role over the Group in the following areas, among others:

- to make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to determine, with delegated responsibility, remuneration packages of individual executive directors and senior management; including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- to make recommendations to the Board on the remuneration of non-executive directors and INEDs;
- consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- to ensure that no director or any of his associates is involved in deciding his own remuneration.

The work performed by the Remuneration Committee in 2013 included the review and, where applicable, approval of:

- the performance appraisal of the executive directors and senior management for year 2012;
- the proposal on staff bonus (including the senior management) for year 2012 and salary adjustments for year 2013 for the Group;
- the incentive scheme of the Group; and
- the policies on performance appraisal of the Group's staff (including senior management), annual bonus and annual salary adjustments.

To ensure that the directors receive remuneration commensurate with the time and effort they dedicate to the Group, the Remuneration Committee, in proposing the remuneration of directors, makes reference to companies of comparable business type or scale, and the nature and quantity of work at both Board and Board Committees (including frequency of meetings and nature of agenda items) and determines expense allowance for directors to attend meetings and other allowances. The proposed remuneration will be put to shareholders for final approval at general meetings. The Remuneration Committee also determines the specific remuneration package of executive directors and senior management, including share options and benefits in kind. Currently the principal components of the Company's remuneration package for executive directors and senior management include the basic salary, discretionary bonus and other benefits in kind. A significant portion of the executive directors' or senior management's discretionary bonus is based on the Group's and the individual's performance during the year in order to achieve the appropriate compensation level. None of the directors is entitled to determine his/her own remuneration package. The Remuneration Committee reviews and approves the annual and long term performance targets for senior management by reference to corporate goals and objectives approved by the Board from time to time. The Remuneration Committee also reviews the performance of the senior management against the targets set on an ongoing basis, and reviews and approves the specific performance-based remuneration of the senior management. The Remuneration Committee will seek professional advice in appropriate circumstances.

The remuneration received by each of the directors in 2013 was listed in note 8(a) to the financial statements in this report. The remuneration received by the senior officers was disclosed in this report according to the band of their remuneration. The fee for the existing directors of the Company, including the expense allowance for acting as member(s) of the Board Committees, shall be submitted to the general meeting every year for approval. For 2013, the remuneration approved by shareholders at the general meeting is as follows:

The director's fee for the year ended 31 December 2013 is HK\$120,000 for each INED who has served one full year and pro-rated for INED who has not served one full year. There is no standard fee for INEDs for acting as member(s) of the Remuneration Committee, Audit and Risk Management Committee, Nomination Committee and Strategy Committee. However, an expense allowance was paid to INEDs for attending the following meetings:

- (a) HK\$10,000 for attending the Board meeting;
- (b) HK\$5,000 for attending meeting of the Remuneration Committee, Nomination Committee and Strategy Committee; and
- (c) HK\$14,000 for the chairman of the Audit and Risk Management Committee attending its meeting and HK\$10,000 for other members.

There is no director's fee for the year ended 31 December 2013 for executive directors/non-executive directors.

There is no standard extra fee for executive directors/non-executive directors for acting as member(s) of the Remuneration Committee, Executive Committee, Nomination Committee and Strategy Committee. However, an expense allowance of HK\$10,000 was paid to an executive director/a non-executive director on each occasion he attended the directors' meetings; an expense allowance of HK\$5,000 was paid to an executive director/a non-executive director who attended each meeting of the Executive Committee, Remuneration Committee, Nomination Committee and Strategy Committee.

A basic allowance in a total amount of HK\$80,000 will be paid to each director every year on 1 July and prior to the Lunar New Year.

The Remuneration Committee currently has 4 members comprising Mr. Seto Gin Chung, John, Mr. Zang Qiutao, Dr. Lin Zhijun and Dr. Chung Shui Ming, Timpson, for which Mr. Seto Gin Chung, John, an INED, is the chairman. The INEDs represent a majority of the members of the Remuneration Committee. A total of 3 meetings were held by the Remuneration Committee during the year with an attendance rate of 100%. Individual attendance records of the relevant committee members in 2013 are set out in the table at the end of this report.

Strategy Committee

The Strategy Committee, which was established in 2006, is responsible for studying the long term strategy and planning of the Group and making recommendations to the Board for the middle and long term development strategies of the Group. The Strategy Committee is chaired by Mr. Seto Gin Chung, John, an INED, and currently has 7 members: Mr. Seto Gin Chung, John, Mr. Zang Qiutao, Mr. Chen Shuang, Mr. Jiang Yuanzhi, Mr. Wang Weimin, Dr. Lin Zhijin and Dr. Chung Shui Ming, Timpson. The Strategy Committee convenes meeting regularly each year with a focus to review the strategic positioning and development planning of the Group.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties as set out below:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Company;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and
5. to review the Company's compliance with the Code and disclosure in the Corporate Governance Report under Appendix 14 to the Listing Rules.

During the year under review, the Company has reviewed and/or issued the following documents related to the corporate governance policies and practices:

- Terms of Reference of the Board;
- Mandate; and
- Board Diversity Policy.

Board Evaluation

Each of the Board and Board Committees will conduct a self-assessment review of their own effectiveness from time to time and review and amend as appropriate their terms of reference and working rules according to the needs.

Directors' Securities Transactions

The Company has devised special rules governing securities dealing of directors in the "Code for Securities Transactions by Directors and Relevant Employees", which are no less exacting than the required standards set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix 10 of the Listing Rules. Having enquired of all directors, the directors confirmed that they have complied with the required standards set out in the said manual and the Model Code throughout the year of 2013.

Constitutional Documents

During the year, there is no change in the Company's constitutional documents.

External Auditors

Pursuant to the responsibility delegated by the Board, the Audit and Risk Management Committee had reviewed and monitored the independence, objectivity and effectiveness of KPMG, the Group's external auditors, on their audit procedures, and the results were satisfactory. Upon the recommendation of the Audit and Risk Management Committee, at the Company's 2014 annual general meeting, the Board will propose that KPMG be re-appointed as auditors of the Group. Subject to the approval by the shareholders, the Board will authorize the Audit and Risk Management Committee to determine the remuneration for KPMG.

For 2013, the total fee charged by KPMG was HK\$10,860,000 including a non-audit service fee of HK\$2,411,000 for the review of the interim financial statements, internal control, risk assessment and other services. For 2012, the fee charged by KPMG for audit and non-audit services was HK\$7,969,000.

Internal Control

The Board has the responsibility of ensuring that the Group maintains sound and effective internal controls to safeguard the Group's assets. The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss; to manage, but not completely eliminate, the risks of system failure; and to assist in achieving the Group's objectives. In addition to safeguarding the Group's assets, it also ensures the maintenance of proper accounting records and compliance with relevant laws and regulations.

The Internal Audit and Compliance Department reviews the effectiveness of the Group's internal control system in accordance with the annual internal audit plan approved by the Audit and Risk Management Committee. The scopes of these reviews cover all material controls including financial, operational and compliance controls, and the risk management system governing various business units and operation departments. The risks and controls are identified primarily through reviews of the statutory books, minutes, policies and procedure manuals, and interviews with the management. Based on the results of the risk and control identifications, the internal audit strategies are formulated and performed by the Internal Audit and Compliance Department.

The results of the reviews for 2013 were reported to the Audit and Risk Management Committee and the Board on a quarterly basis.

The Board acknowledges it has the ultimate responsibility to ensure there are sound and effective financial controls and accounting functions. The Board delegates the Audit and Risk Management Committee with the responsibility of reviewing the adequacy of the resources of accounting and financial report functions, under the assistance of the Chief Financial Officer and the Internal Audit and Compliance Department. The scope of the review covers the staffing and back-up resources, their relevant working experiences and years served, recognised accounting professional qualifications, the adequacy of budget for training and the corresponding training. The results of the review were reported to the Audit and Risk Management Committee and the Board at the year end.

The Audit and Risk Management Committee and the Board consider that the material aspects of the Group's internal control systems are reasonably implemented and are able to prevent significant misstatements or losses, whilst safeguarding the Group's assets, maintaining appropriate accounting records and complying with applicable laws and regulations. Such internal control systems have basically fulfilled the requirements of the Code regarding internal control systems in general.

In addition, the Group has established and implemented the following internal control systems:

- The Management established an organisational structure with different hierarchies of duties, authorities and responsibilities of personnel; formulated written policies and procedures to check and balance the authorities of different departments; reasonably safeguarded the assets and the implementation of the internal control measures of the Group; and operated in compliance with laws and regulations under effective risk control.
- The Management formulated and continually monitored the implementation of the Group's development strategies, business plans and financial budgets. The accounting and management systems were also in place to provide the basis for evaluating the financial and operational performances.
- The Group formulated various risk management and human resource management policies. Specific units and personnel were responsible for identifying, assessing and managing each of the major risks types. These include reputation, strategic, legal, compliance, credit, market, operation, liquidity and interest rate risks.

- The Chief Risk Officer of the Group is responsible for the routine risk management work of the Group and for supporting and assisting the Management in defining and evaluating the risk exposures of the Group's businesses and conducting the co-ordination thereof. He assesses, identifies and records the risk structure of the Group and ensures the relevant business units are aware of such issues. The Chief Risk Officer regularly reports to the Audit and Risk Management Committee and the Management Decision Committee. The Risk Management Department assists the Chief Risk Officer in carrying out his duties.
- The Audit and Risk Management Committee reviews the letter of recommendation submitted by the external auditors to the Management in connection with the annual audit. The Internal Audit and Compliance Department is responsible for ensuring that the recommendations are promptly followed, and will also periodically report the status of the implementation thereof to the Audit and Risk Management Committee and keep the Management informed with updated information.

Communication with Shareholders and Shareholders' Rights

Annual General Meeting

The Board attaches a high degree of importance to non-interrupted communications with shareholders, especially direct dialogue with them at the Company's annual general meetings. Shareholders are encouraged to actively participate in such meetings. All members of the Board, and representatives of KPMG were present at the Company's 2013 annual general meeting held on 15 May 2013 to address to questions and comments raised by shareholders.

In addition, the Company also provided further information on the 2013 annual general meeting in a circular to shareholders. This includes background information to the proposed resolutions and information on the retirement and re-election of directors in order to enable all shareholders to understand their rights at the annual general meeting and to make decisions with sufficient information.

No other general meeting of the Company was held during the year.

Shareholders' Communication Policy

The Company always advocates that all its shareholders shall be provided with ready, equal and timely access to balanced and easy-to-understand information about the Company (including its financial summary, business introduction, corporate profile, introduction of corporate governance, business and contact information of investor relations), which allow the shareholders to exercise their rights in an informed manner, and also improve communications between the shareholders and the investment community with the Company.

The shareholders should direct their questions about their shareholdings to the Company's Share Registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with contact number of 2980 1333. The Company shall ensure effective and timely dissemination of information to the shareholders and the investors at all times. The shareholders and investors should direct their questions to the Company's Corporate Communications and Investors Relations Department by email to ir@everbright165.com or by phone to 2528 9882.

Shareholders' Rights

The general meeting is the principal opportunity and ideal venue for shareholders to meet and exchange views on the Group's business with the directors and the management. The Board therefore encourages shareholders to attend the annual general meeting, exercise their right to speak and vote, and give valuable advice on improving the Group's operational and governance matters.

Shareholders are entitled to convene an extraordinary general meeting, make any proposals at shareholders' meetings and propose a person for election as a director. Please see the detailed procedures as follows:

- **the way in which shareholders can convene a general meeting:**

Shareholder(s) representing at least 5 per cent of the total voting rights of all shareholders having a right to vote at general meetings can make a request to call a general meeting pursuant to Section 566 of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("the New Companies Ordinance").

The request –

- (a) must state the general nature of the business to be dealt with at the meeting;
- (b) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting;
- (c) may consist of several documents in like form;
- (d) may be sent in hard copy form or in electronic form to the Company Secretary at the Company's registered office (46th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong) or by way of email to ir@everbright165.com; and
- (e) must be authenticated by the person or persons making it.

Pursuant to Section 567 of the New Companies Ordinance, directors must call a general meeting within 21 days after the date on which they become subject to the requirement and the meeting so called must be held on a date not more than 28 days after the date of the notice convening the meeting. If the directors do not do so, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a general meeting pursuant to Section 568 of the New Companies Ordinance, but the meeting must be called for a date not more than 3 months after the date on which the directors become subject to the requirement to call a general meeting. The Company will reimburse any reasonable expenses incurred by the shareholders requesting the meeting by reason of the failure of the directors duly to call a general meeting.

- **the procedures for making proposals at shareholders' meetings:**

The following shareholders are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

- (a) shareholders representing not less than 2.5% of the total voting rights of all shareholders who have a right to vote on the resolution at the general meeting to which the requests relate; or
- (b) not less than 50 shareholders who have a right to vote on the resolution at the general meeting to which the requests relate.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement of not more than 1,000 words with respect to the matter referred to in the proposal must be deposited at the registered office of the Company (46th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong) not less than six weeks before the general meeting. The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Section 615 and 616 of the New Companies Ordinance once valid documents are received.

- the procedure for director's nomination and election by shareholders:

If a shareholder wishes to propose a person other than a retiring director for election as a director at a general meeting, the shareholder should lodge at the registered office of the Company (46th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong) by reference to the "Procedures for Shareholders to Propose a Person for Election as a Director" posted on the website of the Company, (a) a notice signed by such shareholder (other than the proposed person) duly qualified to attend and vote at the meeting of his/her intention to propose such person for election; and (b) a notice signed by the proposed person indicating his/her willingness to be elected. The period during which the aforesaid notices may be given will be at least seven days. Such period will commence on the day after the despatch of the notice of the general meeting for which such notices are given and end no later than seven days prior to the date of such general meeting. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under Article 122 of the Articles of Association of the Company once valid notices are received, and the shareholder concerned would be responsible for the expenses incurred in giving effect thereto. Shareholders are welcome to send any written enquiries to the Board for the attention of the Company Secretary either by post to the registered office of the Company at 46th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong or by way of email to ir@everbright165.com. The Company Secretary would direct the enquiries received to appropriate Board member(s) or the Chairman of the Board Committee(s) who is in charge of the areas of concern referred therein for further handling. The Board, assisted by the Company Secretary, would make its best efforts to ensure that all such enquiries are addressed in a timely manner.

Investor Relations and Communication

The Company believes that communicating with the shareholders and investors by electronic means (in particular through the Company's website) is an efficient way of delivering information in a timely and convenient manner. An "Investor Relations" section is available on the Company's website at www.everbright165.com. Information published on the Company's website will be updated from time to time. Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes financial statements (annual report and interim report), results announcements, circulars, notices of general meetings, announcements and monthly return on movements in securities, etc.. The briefing materials provided in the annual general meeting and the result announcement of the Company will be posted on the website of the Company as soon as possible once the materials are published. The contents published by the Company regarding to all press releases, corporate profiles, corporate structure, biographical information of the Board and the management team, service philosophy and corporate social responsibility are posted on the website of the Company. Corporate communication will be provided to the shareholders in plain language and in both English and Chinese versions to facilitate shareholders' understanding. Web-casting service will be provided on the meetings announcing the interim and final results of the Company.

Investor briefings and one-on-one meetings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums etc will be available on a regular basis in order to facilitate communication between the Company, shareholders and the investment community.

Directors' Responsibilities in respect of Financial Statements

The following statement should be read in conjunction with the auditor's statement of its responsibilities as set out in the Independent Auditor's Report contained in the 2013 Annual Report of the Company. The statement sets out for the shareholders the respective responsibilities of the directors and the auditors in relation to the financial statements.

The directors are required by the Companies Ordinance in Hong Kong to prepare financial statements which give a true and fair view of the state of affairs of the Company. The financial statements should be prepared on a going concern basis unless it is inappropriate to do so. The directors have the responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the requirements of the Companies Ordinance in Hong Kong. The directors also have general responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The directors consider that in preparing the financial statements in the 2013 Annual Report, the Company has adopted appropriate accounting policies which have been consistently applied with the support of reasonable and prudent judgments and estimates, and that all accounting standards which they consider to be applicable have been followed.

Role of Independent Non-executive Directors

The Board believes that the INEDs play an important role in corporate governance. They provide the necessary checks and balances to ensure that the Group operates in a safe and sound manner and that its interests are protected. The INEDs also bring external experience and make judgment objectively. They are particularly important in performing a monitoring role. The Board considers all its INEDs to be independent in character and judgment. The Board has received written confirmation from the INEDs of their independence pursuant to the requirement under Rule 3.13 of the Listing Rules and considers all the INEDs to be independent.

The appointment of an INED is for a fixed term and subject to rotation in accordance with the Articles of Association of the Company and the Listing Rules. Every year, the Board reviews and assesses the independence of any INED who is in office for more than 9 years. The conclusion of his independence is stated in the circular of the annual general meeting to shareholders.

Company Secretary

The Company Secretary of the Company is the Head of the Legal and Company Secretarial Department of the Group and a full time employee of the Company who is familiar with the daily operation of the Company. The Company Secretary is responsible for advising the Board on all corporate governance matters. The directors have access to the services provided by the Company Secretary and his department. He has the relevant professional qualifications as stipulated by the Listing Rules. The Company's Articles of Association state that the appointment and removal of the Company Secretary is a matter for the Board. The Company Secretary confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training.

Attendance

The attendance of the directors at board meetings and various Board committee meetings as well as the annual general meeting of the Company in 2013 is set out below:

Directors/members	Board Meeting	Nomination Committee Meeting	Audit & Risk Management Committee Meeting	Remuneration Committee Meeting	Strategy Committee Meeting	Annual General Meeting
Tang Shuangning	4/4	n/a	n/a	n/a	n/a	1/1
Zang Qiutao	4/4	2/2	n/a	3/3	1/1	1/1
Chen Shuang	4/4	n/a	n/a	n/a	1/1	1/1
Tang Chi Chun, Richard	4/4	n/a	n/a	n/a	n/a	1/1
Jiang Yuanzhi	4/4	n/a	n/a	n/a	1/1	1/1
Wang Weimin	4/4	n/a	n/a	n/a	1/1	0/1
Ng Ming Wah, Charles (Note 1)	1/1	n/a	2/7	2/2	n/a	1/1
Seto Gin Chung, John	4/4	2/2	7/7	3/3	1/1	1/1
Lin Zhijun	4/4	2/2	7/7	3/3	1/1	1/1
Chung Shui Ming, Timpson	3/4	2/2	7/7	3/3	1/1	n/a

Note 1: Mr. Ng Ming Wah, Charles retired as an INED and Chairman of the Audit and Risk Management Committee, a member of each of the Nomination Committee, Remuneration Committee and Strategy Committee of the Company on 15 May 2013.

Directors' Report

The board of directors hereby presents the Annual Report together with the audited financial statements of China Everbright Limited ("the Company") and its subsidiaries (collectively "the Group") for the year ended 31 December 2013.

Principal Activities

The Group is principally engaged in investment holdings and the provision of financial services. The principal activities of the subsidiaries are set out in note 15 to the financial statements.

Turnover and Contribution to Group Results

The turnover and contribution to operating results of the Group by activity and geographical location are set out in note 40 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2013 are set out on page 73 of this Annual Report.

The directors 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).

Major Customers and Suppliers

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. Accordingly, it is not practical to state the percentage of the sales attributable to the Group's largest customers and percentage of the purchases attributable to the Group's largest suppliers.

None of the directors, their associates or any shareholder holding more than 5% of the Company's issued share capital has an interest in the share capital of any of the five largest suppliers.

Financial Summary

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 152 of this Annual Report.

Fixed Assets

Movements in fixed assets are set out in note 14 to the financial statements.

Properties

Particulars of major properties held by the Group as at 31 December 2013 are set out on page 153 of this Annual Report.

Subsidiaries and Associates

Details of the Company's principal subsidiaries and associates as at 31 December 2013 are set out in notes 15 and 16 to the financial statements respectively.

Bank Loans

Particulars of bank loans of the Company and the Group as at 31 December 2013 are set out in note 24 to the financial statements.

Share Capital

As at 31 December 2013, the issued share capital of the Company comprised 1,720,099,712 shares. Details of the movement in share capital of the Company during the year are set out in note 29 to the financial statements.

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		Aggregate consideration HK\$'000
		Lowest HK\$	Highest HK\$	
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.

Share Premium and Reserves

Movements in share premium and reserves during the year are set out on pages 77 and 125 of this Annual Report.

Distributable reserves of the Company as at 31 December 2013 as calculated under the New Companies Ordinance amounted to approximately HK\$383,944,000 (2012: HK\$418,163,000).

Borrowings and Interest Capitalised

Bank loans and overdrafts repayable within one year or on demand are classified as current liabilities in the financial statements. Bank loans repayable over one year are classified as non-current liabilities. No interest was capitalised by the Group during the year.

Continuing Connected Transaction

During the year, there was no continuing connected transaction entered into by the Group which was required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") to be disclosed in the Annual Report of the Company.

Directors

The directors of the Company during the year and up to the date of this Annual Report are as follows:

Executive Directors:

Mr. Tang Shuangning, Chairman
Mr. Zang Qiutao, Deputy Chairman
Mr. Chen Shuang, Chief Executive Officer
Mr. Tang Chi Chun, Richard, Chief Financial Officer
Mr. Jiang Yuanzhi, Chief Investment Officer

Non-executive Director:

Mr. Wang Weimin

Independent Non-executive Directors:

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

According to Articles 120 and 121 of the Company's Articles of Association, one-third of the directors (who have been longest in office) shall retire from office by rotation at every annual general meeting of the Company provided that every director shall retire once every three years. A retiring director shall be eligible for re-election.

In addition, according to Article 87 of the Company's Articles of Association, any director appointed by the board either to fill a casual vacancy or as an addition to the board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting.

In accordance with Articles 120 and 121, Mr. Tang Chi Chun, Mr. Jiang Yuanzhi and Dr. Lin Zhijun, being directors who have been longest in office since their last re-election, shall retire by rotation. All of them being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

As at 31 December 2013, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares of equity derivatives and debentures of the Company or its associated corporations (as defined by Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register of directors' and chief executives' interests and short positions required to be maintained under section 352 of the SFO are as follows:

1a. Long position in shares of the Company:

Name of director	Total	Personal interest	Family interest	Corporate interest	% of total issued capital
Tang Chi Chun, Richard	719,000	719,000	–	–	0.04

1b. Long position in shares of associated corporation of the Company, namely China Everbright International Limited ("CEIL"):

Name of director	Total	Personal interest	Family interest	Corporate interest	% of total issued capital
Zang Qiutao	2,000,000	2,000,000	–	–	0.04
Chen Shuang	10,000	10,000	–	–	0.00

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

3. Long position in underlying shares of equity derivatives of associated corporations: Nil

As at 31 December 2013, save as disclosed herein, none of the directors and chief executives of the Company had interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporation defined under the SFO as recorded in the register of directors' and chief executives' interests and short positions.

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

Directors' Service Contracts

No director offering for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the employing company within one year without payment of compensation other than the normal statutory compensation.

Directors' Rights to Acquire Shares or Debentures

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

Competing Interest

As at the date of this annual report, and as far as the directors are aware, none of the directors or their respective associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interest with the Group.

Substantial Shareholders

As at 31 December 2013, the following persons had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

Long Position

Name of shareholder	No. of shares beneficially held	% of total issued shares
China Everbright Holdings Company Limited (Note)	870,873,207	50.63%
Datten Investments Limited (Note)	867,119,207	50.41%
Honorich Holdings Limited	867,119,207	50.41%

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

As confirmed by CE Holdings, CE Holdings was interested in a total of 873,152,207 shares (representing 50.76% of the issued shares of the Company) as at 31 December 2013 because of the additional acquisition of 2,279,000 shares by EIM.

The Company entered into a Share Repurchase Contract on 24 February 2014 whereas the Company acquired 34,846,000 issued shares from substantial shareholder, CE Holdings. The repurchased shares were cancelled after the completion of the share repurchase and accordingly, the shareholding of CE Holdings was reduced from 873,152,207 to 838,306,207 (representing 49.74% of the issued shares of the Company).

Save as disclosed above, as at 31 December 2013, the directors were not aware of any other persons who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

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.

For further details, please refer to the section on "Corporate Governance Report".

Auditors

The financial statements have been audited by KPMG, who will retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

Audit and Risk Management Committee

During the year, the Audit and Risk Management 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 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 audited financial statements of the Group for the year ended 31 December 2013. The terms of reference of the Audit and Risk Management Committee and a summary of the duties discharged in 2013 have been set out in the section on "Corporate Governance Report".

Retirement Schemes

The Company provides retirement benefits to all local eligible employees under an approved defined contribution provident fund ("the ORSO Scheme"). The ORSO Scheme is administered by trustees, the majority of whom are independent, with its assets held separately from those of the Company. The ORSO Scheme is funded by contributions from employees and employers at 5% each based on the monthly salaries of employees. Forfeited contributions may be used to reduce the existing level of contribution by the Company.

Since 1 December 2000, the Group has also operated a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the ORSO Scheme. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a monthly relevant income cap of HK\$25,000.

The employees of the subsidiaries of the Group established in the People's Republic of China are members of the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a percentage of their payroll to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is the required contributions under the schemes.

The Group's total contributions to these schemes charged to the consolidated income statement during the year ended 31 December 2013 amounted to approximately HK\$1.8 million.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

Other Information

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, during 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, during 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.

By order of the Board
China Everbright Limited
Tang Shuangning
Chairman

Hong Kong, 31 March 2014

Directors and Senior Management

Director

Mr. Tang Shuangning

Chairman

Mr. Tang Shuangning, aged 59, the Chairman of the Board. Mr. Tang is the representative of the 12th National People's Congress and the Vice-chairman of the Agriculture and Rural Affairs Committee of the 12th National People's Congress. Mr. Tang is also the Chairman of China Everbright Group Limited, China Everbright Holdings Company Limited and China Everbright Bank Company Limited (stock code: SH 601818, HK 6818). He is also a director of Everbright Securities Company Limited (stock code: SH 601788) and Sun Life Everbright Insurance Company Limited and the Chairman of China Everbright International Limited (stock code: HK 257). He serves as the Vice Chairman of the China Society for Finance and Banking and the Consultant of the China Society for Investment. Prior to joining the China Everbright Group, Mr. Tang was the Vice Chairman of the China Banking Regulatory Commission, the Director-General of the Banking Supervision Department I, the Director-General of the Currency, Gold and Silver Bureau and the Director-General of the Credit Management Division of the People's Bank of China. He holds a Master's Degree in Economics from China North-east University of Finance & Economics. Mr. Tang has extensive knowledge and experience in banking and finance management. He joined the Board in July 2007.

Mr. Zang Qiutao

Deputy Chairman

Mr. Zang Qiutao, aged 61, is the Deputy Chairman of the Board. Mr. Zang is a member of the National Committee of the 12th Chinese People's Political Consultative Conference and the Chairman of the Executive Committee, as well as a member of the Remuneration Committee, the Nomination Committee and the Strategy Committee of the Company. Mr. Zang is the Vice Chairman of China Everbright Holdings Company Limited. He is also the Vice Chairman of China Everbright International Limited (stock code: HK 257). Mr. Zang graduated from the Graduate School of the Chinese Academy of Social Sciences. He was formerly Division Chief of the State Economic Commission and Deputy Division Director of the State Planning Commission. He joined the Board in August 2007.

Mr. Chen Shuang

Chief Executive Officer

Mr. Chen Shuang, aged 46, is a member of the Executive Committee and the Strategy Committee of the Board, the Chief Executive Officer and the Chairman of the Management Decision Committee of the Group. He is responsible for the overall operation of the Group. Mr. Chen is also a director and deputy general manager of China Everbright Holdings Company Limited, a director of Everbright Securities Company Limited (stock code: SH 601788), a supervisor of China Everbright Bank Company Limited (stock code: SH 601818, HK 6818), an independent director of Noah Holdings Limited (stock code: NOAH.N) and an independent non-executive director of China Nonferrous Mining Corporation Limited (stock code: HK 1258). He is currently a non-official member of Financial Services Development Council, the Chairman of Chinese Financial Association of Hong Kong, the Vice-Chairman of Chinese Securities Association of Hong Kong and the visiting professor of East China University of Political Science and Law. Mr. Chen holds a Master of Laws Degree from East China University of Political Science and Law and a Diploma in Legal Studies from the School of Professional and Continuing Education of the University of Hong Kong. He is a qualified lawyer in the PRC and a senior economist. Prior to joining China Everbright Group, Mr. Chen was the Chief of the Legal Department of Bank of Communications. He has over 20 years of extensive experience in commercial banking and investment banking. He joined the Board in August 2004.

Mr. Tang Chi Chun, Richard

Chief Financial Officer

Mr. Tang Chi Chun, Richard, aged 52, is the Chief Financial Officer of the Group. He has overall responsibility for supervising the financial resources planning, allocation and control. Mr. Tang is a member of Executive Committee of the Board. He was a director of Everbright Securities Company Limited (stock code: SH 601788) from February 2008 to January 2011. Mr. Tang is a Certified Public Accountant and is a graduate of the Accountancy Department, at the Hong Kong Polytechnic. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and has over 22 years of experience in audit, investment, accounting and finance. Since 1990, Mr. Tang had been engaged as department head of the financial and business operations of various international financial institutions. He joined the Group in September 2005 and joined the Board in July 2007.

Mr. Jiang Yuanzhi

Executive Director

Mr. Jiang Yuanzhi, aged 46, is the Chief Investment Officer of the Group, and a member of the Executive Committee and the Strategy Committee of the Company. Mr. Jiang was the Deputy President of China Everbright Bank Shenzhen Branch prior to joining our Group. He was formerly the General Manager of the Investment Banking Department of China Construction Bank Shenzhen Branch, the Chief Representative of China Construction Bank New York Representative Office and the Assistant General Manager of the International Business Department of China Construction Bank Guangdong Branch. He holds a Master's Degree in Business Administration from New York University Stern Business School and a Master's Degree in British Literature from Shandong University. Mr. Jiang has extensive knowledge and experience in banking and finance management. Mr. Jiang joined the Board in June 2010.

Mr. Wang Weimin

Non-executive Director

Mr. Wang Weimin, aged 54, is a non-executive director of the Company, and a member of the Strategy Committee of the Company. Mr. Wang is also the Vice President of Everbright Securities Company Limited. He was the Vice Section Chief of the Stock Trading Section of Chengdu branch of Bank of Communications, the Manager of the Stock Trading Section of Chengdu branch of Hai Tong Securities, the Manager of Human Resources Section of Hai Tong Securities and the General Manager of the Stock Trading Section of the headquarter of Hai Tong Securities. Mr. Wang holds a Master's Degree in Business Administration for Senior Managers from Shanghai Jiaotong University. Mr. Wang has extensive knowledge and rich experience in securities, financial and corporate management. Mr. Wang joined the Board in June 2008.

Mr. Seto Gin Chung, John

Independent Non-executive Director

Mr. Seto Gin Chung, John, aged 65, is an independent non-executive director and the Chairman of the Strategy Committee and Remuneration Committee of the Company. He is also a member of the Audit and Risk Management Committee and Nomination Committee. Mr. Seto is a director of Pacific Eagle Asset Management Limited. He is also an independent non-executive director of Kowloon Development Company Limited (stock code: HK 34) and Hop Hing Group Holding Limited (stock code: HK 47). Mr. Seto was a non-executive director of Sateri Holdings Limited (stock code: HK 1768) from 2010 to 2013. He was an independent director of Everbright Securities Company Limited, a company incorporated in PRC, from 2005 to 2007. He was the Chief Executive Officer of HSBC Broking Services (Asia) Limited from 1982 to 2001. He was a non-executive director of Hong Kong Exchanges and Clearing Limited (stock code: HK 388) from 2000 to 2003, a council member of the Stock Exchange of Hong Kong from 1994 to 2000, and was the first vice chairman of the Stock Exchange of Hong Kong from 1997 to 2000. He holds a Master of Business Administration degree from New York University, USA and has over 35 years of experience in the securities and futures industry. Mr. Seto joined the Board in April 2003.

Dr. Lin Zhijun

Independent Non-executive Director

Dr. Lin Zhijun, aged 59, is an independent non-executive director and the Chairman of the Nomination Committee of the Company. He is also a member of the Audit and Risk Management Committee, Remuneration Committee and Strategy Committee. Dr. Lin is a Professor and Head of the Department of Accountancy and Law in Hong Kong Baptist University. He is also an independent director of Sinotruk (Hong Kong) Limited (Stock Code: HK 3808), SpringLand International Limited (stock code: HK 1700) and Zhengzhou Coal Mining Machinery Group Company Limited (stock code: HK 564). All are listed on the Stock Exchange of Hong Kong Limited. Mr. Lin holds a Master's degree in Science in Accounting from University of Saskatchewan in Canada and a Doctorate's degree in Economics (Accounting) from Xiamen University. Dr. Lin worked as a Visiting Professor in The University of Hong Kong and Tenured Professor in the Faculty of Management of Lethbridge University in Canada. Dr. Lin worked at the Toronto office of an international accounting firm (now known as "Deloitte") in 1982-1983 and he had also been a professional consultant to an international law firm. Dr. Lin is also a member of the American Institute of Certified Public Accountants, the Chinese Institute of Certified Public Accountants and the Australian Institute of Certified Management Accountants. He is a member of various educational accounting associations including the American Accounting Association, the International Association for Accounting Education and Research and the Hong Kong Association for Accounting Education. Dr. Lin is also an author of a series of professional articles and books. Dr. Lin joined the Board in September 2005.

Dr. Chung Shui Ming, Timpson

Independent Non-executive Director

Dr. Chung Shui Ming, Timpson, aged 62, is a member of the National Committee of the 12th Chinese People's Political Consultative Conference. He is also the Chairman of the Advisory Committee on Arts Development. Besides, Dr. Chung is an Independent Non-Executive Director of China Unicom (Hong Kong) Limited (stock code: HK 762), Glorious Sun Enterprises Limited (stock code: HK 393), Henderson Land Development Company Limited (stock code: HK 12), Miramar Hotel and Investment Company, Limited (stock code: HK 71), China Overseas Grand Oceans Group Limited (stock code: HK 81) and China Construction Bank Corporation (stock code: HK 939). Dr. Chung is also an Independent Director of China State Construction Engineering Corporation Limited (stock code: SH 601668). From March 2006 to March 2013, Dr. Chung served as an independent non-executive director of Nine Dragons Paper (Holdings) Limited (stock code: HK 2689). From September 2006 to January 2013, Dr. Chung served as an independent director of China Everbright Bank Company Limited (stock code: SH 601818). Formerly, he was the Chairman of China Business of Jardine Fleming Holdings Limited and the Deputy Chief Executive Officer of BOC International Limited. He was also the Director-General of Democratic Alliance for the Betterment and Progress of Hong Kong, the Chairman of the Council of the City University of Hong Kong, the Chairman of the Hong Kong Housing Society, a member of the Executive Council of the Hong Kong Special Administrative Region, the Vice Chairman of the Land Fund Advisory Committee of the Hong Kong Special Administrative Region, a member of the Managing Board of the Kowloon-Canton Railway Corporation, a member of the Hong Kong Housing Authority and a member of the Disaster Relief Fund Advisory Committee. Dr. Chung holds a bachelor of science degree from the University of Hong Kong and a master's degree in business administration from the Chinese University of Hong Kong. Dr. Chung also received an honorary doctoral degree in Social Science from the City University of Hong Kong in 2010. Dr. Chung is a fellow member of the Hong Kong Institute of Certified Public Accountants. Dr. Chung joined the Board in August 2012.

Senior Management

Mr. Tsang Sui Cheong, Frederick

Mr. Tsang Sui Cheong, Frederick, aged 54, is the Chief Risk Officer of the Group and a member of the Management Committee. He is in charge of the group's risk matters. Mr. Tsang is a Chartered Financial Analyst and has been a director of The Hong Kong Society of Financial Analysts Limited since 2001. Currently, Mr. Tsang is a member of the Securities and Futures Appeals Tribunal, as well as a member of the Hong Kong Securities and Futures Commission's (SFC) Advisory Committee. He is a holder of Bachelor's degree in Arts and Master's degree in Arts, majored in Economic and Finance. Mr. Tsang joined the Group in February 2000. He has over 29 years of experience in the financial industry.

Mr. Yin Lianchen

Mr. Yin Lianchen, aged 48, is the Chief Investment Officer of the Group and a member of the Management Decision Committee, in charge of the Macquarie Everbright Infrastructure Fund and Shandong Hi-Speed Everbright Industrial Fund. Mr. Yin was the Officer of the Beijing Head office of China Everbright Group Limited, prior to joining our Group. He was formerly the Vice President of Beijing Yonder Environment Engineering Company Limited and the Chief Representative of China of Moody's KMV. He was the General Manager of the Human Resource and Corporate Administration Department, the Director of Corporate Communications Department and Managing Director of the Insurance Brokerage Department successively of the Group from 2002 to 2006. He was also worked for several key positions in People's Bank of China Headquarter from 1990 to 2001. Mr. Yin holds a Bachelor Degree of Management and Master Degree of Accounting from Tianjin Nankai University. Mr. Yin has rich experience in financial and corporate management. Mr. Yin joined the Group in March 2011.

Ms. He Ling

Ms. He Ling, aged 51, is currently the Chief Investment Officer and the member of Management Decision Committee of the Company. Ms. He is responsible for the direct investment business of the Group. She holds a Bachelor degree in Finance from Hunan Finance and Economics University and has obtained a Master degree in Economics from Shanxi Finance and Economics University. She joined Everbright Securities Company Limited in 1993. In 1998, she was appointed as an Assistant to Chief Executive Officer of Everbright Securities Company Limited. Ms. He has over 21 years of experience and knowledge in securities investment and fund management. She joined the Group in August 2000 as an executive director and deputy general manager. She resigned as director and deputy general manager on 16 April 2007 with a view to focusing her resources on the private equity investment business on the Group. Currently she is responsible for managing the three China Special Opportunities Funds.

Ms. Wong Tung Hung

Ms. Wong Tung Hung, aged 45, is the Chief Administration Officer of the Group and a member of Management Decision Committee, mainly responsible for management of human resources, information technology and corporate administration of the Group. She has extensive human resources and administration experience in both China and Hong Kong and has been working in the Group for more than 16 years. Ms. Wong holds a Bachelor degree in Arts from Fudan University. Prior to joining the Group, Ms. Wong worked in several well-known mass media in both China and Hong Kong.

Mr. Yang Ping

Mr. Yang Ping, age 44, is the Chief Investment Officer and the member of Management Decision Committee of the company. He is in charge of Strategic Investment Portfolio, QDII Greater China Bond Trust Plan of Assembled Funds, Everbright Equity Advantage Fund, Everbright Asian Alpha Portfolio and A-share Trust product. Previously, he was responsible for the establishment, investment and management of Macquarie Everbright Greater China Infrastructure Fund and Everbright Ashmore China Real Estate Fund. Before joining China Everbright Limited, he served as Head of the Research Institute of China Southern Securities Co. Ltd. and a Private Equity fund in China, where he was responsible for macro-industry & company research, investment of the Private Equity fund and achieved excellent performance. The restructuring project Xiang Zhong Yi (now renamed as Hunan Investment) conducted by Mr. Yang was the first ST listed company “whole restructuring” case in China and was ranked Top Ten Influential Restructuring Case by Security News in 1999. He received a PhD degree in Economics from The Shanghai Academy of Social Sciences and Bachelor degree of Law from East China University of Political Science and Law. Mr. Yang has over 16 years’ experience in securities research and asset management. Mr. Yang joined the Group in December 2007.

Company Secretary

Mr. Chan Ming Kin, Desmond

Mr. Chan Ming Kin, Desmond, aged 44, is the General Counsel and Company Secretary of the Group. He is a member of the Supervisory Board of Everbright Securities Company Limited (stock code: SH 601788). Mr. Chan holds a Bachelor of Laws degree and a Postgraduate Certificate in Laws of the University of Hong Kong. He also holds a Master of Corporate Governance degree of the Hong Kong Polytechnic University. As a qualified solicitor in Hong Kong, Mr. Chan has more than 18 years experience in private practice and as an in-house counsel. Mr. Chan is also a Fellow of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA EVERBRIGHT LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Everbright Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 73 to 151, which comprise the consolidated and Company balance sheets as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG

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

31 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000 (Restated)
Turnover	4	8,157,205	4,050,657
Operating income	4	1,161,872	889,790
Other net income	4	1,137,504	1,081,924
Staff costs	5	(281,188)	(249,183)
Depreciation expenses	14	(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	6	1,664,912	1,478,959
Finance costs	7	(108,460)	(66,101)
Share of profits less losses of associates, as per the associates' financial statements	16(b)	121,581	414,590
Share of profits less losses of joint ventures, as per the joint ventures' financial statements	17(b)	93,522	39,510
Adjustments to share of profits less losses to conform with the Group's accounting policies	2(b)	28,085	(285,399)
Profit before taxation		1,799,640	1,581,559
Income tax	9	(51,742)	(213,837)
Profit for the year		1,747,898	1,367,722
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	13	HK\$0.783	HK\$0.663

The notes on pages 80 to 151 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	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):	12		
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

		Group		Company	
		31 December 2013 HK\$'000	31 December 2012 HK\$'000	31 December 2013 HK\$'000	31 December 2012 HK\$'000
	Notes				
Non-current assets					
Fixed assets	14	574,979	576,624	33	50
Investments in subsidiaries	15(a)	–	–	2,961,656	2,968,886
Amounts due from subsidiaries	15(b)	–	–	4,493,548	3,650,090
Amounts due from investee companies	15(d)	159,469	98,781	–	–
Investments in associates	16(a)	10,684,673	10,135,102	1,784,192	1,784,192
Investments in joint ventures	17(a)	721,404	441,554	–	–
Available-for-sale securities	18	13,042,551	12,486,586	5,709,762	6,755,290
Financial assets designated at fair value through profit or loss	19	3,328,790	2,016,894	–	–
Advances to customers	20	241,765	1,133,900	–	–
		28,753,631	26,889,441	14,949,191	15,158,508
Current assets					
Advances to customers	20	2,294,352	1,323,876	–	–
Amounts due from subsidiaries	15(b)	–	–	872,688	933,356
Amount due from an investee company	15(d)	9,542	18,660	–	–
Amount due from an associate	16(d)	19,818	–	–	–
Amounts due from joint ventures	17(c)	4,435	4,236	–	–
Debtors, deposits and prepayments	21	1,558,192	553,221	124,562	4,652
Trading securities	22	649,822	803,844	–	–
Cash and cash equivalents	23	3,764,978	2,664,801	6,124	1,310
		8,301,139	5,368,638	1,003,374	939,318
Current liabilities					
Amounts due to subsidiaries	15(c)	–	–	(298,237)	(308,084)
Amount due to an investee company	15(e)	(80,339)	–	–	–
Amount due to an associate		–	(438)	–	(438)
Amount due to a joint venture	17(d)	(2,197)	(5,756)	–	–
Trading securities	22	(256,921)	(175,725)	–	–
Bank loans	24	(2,009,663)	(527,000)	(452,232)	(527,000)
Amount due to a fellow subsidiary and shareholder	25	(500,000)	–	–	–
Creditors, deposits received and accrued charges	26	(749,835)	(309,018)	(7,263)	(3,028)
Financial liabilities designated at fair value through profit or loss		(7,268)	(97,495)	–	–
Notes payable	27	(47,000)	(135,540)	–	–
Provision for taxation	28(a)	(302,561)	(355,372)	–	–
		(3,955,784)	(1,606,344)	(757,732)	(838,550)
Net current assets		4,345,355	3,762,294	245,642	100,768
Total assets less current liabilities		33,098,986	30,651,735	15,194,833	15,259,276

Consolidated Balance Sheet

As at 31 December 2013

	Notes	Group		Company	
		31 December 2013 HK\$'000	31 December 2012 HK\$'000	31 December 2013 HK\$'000	31 December 2012 HK\$'000
Non-current liabilities					
Amount due to a subsidiary		–	–	(378,791)	–
Bank loans	24	(1,085,274)	(512,401)	(516,843)	–
Note payable	27	–	(20,000)	–	–
Deferred tax liabilities	28(b)	(284,799)	(163,055)	(97,051)	(94,818)
		(1,370,073)	(695,456)	(992,685)	(94,818)
NET ASSETS		31,728,913	29,956,279	14,202,148	15,164,458
CAPITAL AND RESERVES					
Share capital	29	1,720,100	1,720,562	1,720,100	1,720,562
Reserves	30	26,983,887	26,391,440	12,482,048	13,443,896
Total equity attributable to equity shareholders of the Company		28,703,987	28,112,002	14,202,148	15,164,458
Non-controlling interests		3,024,926	1,844,277	–	–
TOTAL EQUITY		31,728,913	29,956,279	14,202,148	15,164,458

Approved and authorised for issue by the Board of Directors on 31 March 2014 and signed on behalf of the Board by:

Tang Shuangning
Director

Chen Shuang
Director

The notes on pages 80 to 151 from part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Notes	Attributable to equity shareholders of the Company										Non-controlling interests	Total equity
		Share capital	Share premium	Option premium reserve	Investment revaluation reserve	Capital redemption reserve	Goodwill reserve	Capital reserve	Exchange reserve	Retained earnings	Total		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 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	11	-	-	-	-	-	-	-	-	(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	31(viii)	-	-	-	(99,260)	-	-	-	-	(30,712)	(129,972)	-	(129,972)
Share repurchased	29(b)	(462)	-	-	-	462	-	-	-	(4,587)	(4,587)	-	(4,587)
Dividends paid	11	-	-	-	-	-	-	-	-	(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

The notes on pages 80 to 151 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	39	(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 a joint venture		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 a joint venture		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)
Repurchase 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)

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Notes	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	23	3,764,978	2,664,801
Deposits pledged	23	(931,271)	(263,695)
End of year	23	2,833,707	2,401,106

The notes on pages 80 to 151 form part of these financial statements.

Notes to the Financial Statements

1. Principal Activities

China Everbright Limited (the “Company”) is incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited. The directors of the Company consider China Everbright Holdings Company Limited, a company incorporated in Hong Kong, to be the ultimate holding company of the Company and Honorich Holdings Limited, a company incorporated in the British Virgin Islands, to be the immediate holding company of the Company. Neither of them provides financial statements for public use.

The principal activity of the Company is investment holding. The Company, through its subsidiaries and associates, is principally engaged in investment activities and the provision of financial services.

2. Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and joint ventures.

The measurement basis used in preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment properties (note 2(h));
- financial instruments classified as trading, financial assets designated at fair value through profit or loss, available-for-sale securities or financial liabilities designated at fair value through profit (note 2(f)); and
- derivative financial instruments (note 2(g)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. Significant Accounting Policies *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 41.

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 of the Group believes that such presentations are more informative to users of the financial statements.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests are presented as financial liabilities in the consolidated balance sheet.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(d)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)).

2. Significant Accounting Policies (continued)

(c) Subsidiaries and non-controlling interests (continued)

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as, when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement. Structured entities often have restricted activities and a narrow and well defined objective. Involvement with unconsolidated structured entities is disclosed in Note 36.

(d) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(l)). The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest in the investee is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund and similar entities, such investment is measured at fair value through profit or loss in the Group's consolidated balance sheet.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)).

In the Company's balance sheet, investments in associates and joint venture are stated at cost less impairment losses (see note 2(l)).

2. Significant Accounting Policies (continued)

(e) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(l)). In respect of associates or joint ventures, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or joint venture and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (note 2 (l)).

On disposal of a cash generating unit, an associate or a joint venture during the year, any attributable amount of purchased goodwill is included in the calculation of the gain or loss on disposal.

Goodwill on acquisitions that occurred prior to 1 January 2001 was eliminated against goodwill reserves. Such goodwill is released from goodwill reserves to retained earnings when all or part of the business to which the goodwill is related to is disposed.

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Trading debt and equity securities are acquired or incurred principally for the purpose of trading, or are part of a portfolio of identified debt and equity securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Investments in debt and equity securities are designated at fair value through profit or loss upon initial recognition when these financial instruments are managed, evaluated and reported internally on a fair value basis, or the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Debt and equity securities under this category are carried at fair value and are not generally allowed to be reclassified into or out of this category while held or issued. Changes in the fair value are included in the income statement in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in the income statement.

Other investments in debt and equity securities are classified as available-for-sale securities and are initially recognised at fair value plus attributable transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve, except for impairment losses (see note 2(l)). As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the consolidated balance sheet at cost less impairment losses (see note 2(l)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 2(s)(iv) and (v), respectively.

2. Significant Accounting Policies (continued)

(f) Other investments in debt and equity securities (continued)

When these investments are derecognised or impaired (see note 2(l)), the cumulative gain or loss previously is reclassified from equity to profit or loss. Investments are recognised/ derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(s)(iii).

When the Group holds a property interest under an operating lease to earn rental income and/ or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(k)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(k).

2. Significant Accounting Policies *(continued)*

(i) Other property and equipment

The following items of property and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(l)):

- interests in leasehold land held for own use;
- buildings held for own use which are situated on leasehold land, where the fair value could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(k)); and
- other items of equipment comprising leasehold improvements, furniture, fixtures and equipment, and motor vehicles.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(j) Depreciation

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Interest in leasehold land held for own use is depreciated over the unexpired term of lease
- Buildings situated on leasehold land are depreciated over the shorter of unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of purchase
- Leasehold improvements 5 years
- Furniture, fixtures and equipment 5 years
- Motor vehicles 5 years

Where parts of an item of property and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) Leased assets

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(h)).

2. Significant Accounting Policies (continued)

(k) Leased assets (continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property. (see note 2(h))

(l) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable date that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect of the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

2. Significant Accounting Policies (continued)

(l) Impairment of assets (continued)

(i) *Impairment of investments in debt and equity securities and other receivables (continued)*

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that had been recognised in the investment revaluation reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.
- Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in the investment revaluation reserve.
- Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- Property and equipment (other than properties carried at revalued amount);
- Pre-paid interests in leasehold land classified as being held under an operating lease;
- Intangible assets;
- Investments in subsidiaries, associates and joint ventures in the Company's balance sheet; and
- Goodwill.

2. Significant Accounting Policies (continued)

(l) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(m) Accounts receivable and other receivables

Accounts receivable and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less impairment losses for bad and doubtful debts (see note 2(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(l)).

(n) Accounts payable and other payables

Accounts payable and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. Significant Accounting Policies *(continued)*

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Termination benefits*

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movement in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purpose and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2. Significant Accounting Policies (continued)

(q) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Dividend and interest income received by the Company or the Group may be subject to withholding tax imposed in the country of origin. Dividend and interest income is recorded gross of such taxes and the corresponding withholding tax is recognised as tax expense.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. Significant Accounting Policies (continued)

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Consultancy and management fee income*

Consultancy and management fee are recognised when services are rendered.

(ii) *Sale of trading securities*

Gains or losses on sale of trading securities are recognised on a trade date basis when the relevant transactions are executed.

(iii) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) *Dividend income*

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

2. Significant Accounting Policies (continued)

(t) Translation of foreign currencies (continued)

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(v) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. Significant Accounting Policies *(continued)*

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. 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.

3. Changes in Accounting Policies (continued)

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. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 15, 16 and 17.

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. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 14 and 38. 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 consolidated balance sheet 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 consolidated balance sheet. The amendments also remove the requirement to present related notes to the opening consolidated balance sheet 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. To the extent that the requirements are applicable to the Group, the Group has expanded its disclosures about offsetting of financial assets and financial liabilities in note 37(f).

Notes to the Financial Statements

4. 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 HK\$'000	2012 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 liability 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

Notes to the Financial Statements

5. Staff Costs

	2013 HK\$'000	2012 HK\$'000
Salaries, bonuses and allowances	261,298	231,755
Staff welfare and insurance	11,740	10,086
Staff training and recruitment	6,387	5,935
Pension costs – mandatory provident fund and defined contribution plans	1,763	1,407
	281,188	249,183

6. Profit from Operations

Profit from operations is stated after charging the following:

	2013 HK\$'000	2012 HK\$'000
Operating lease rentals in respect of rented premises	5,503	3,584
Auditors' remuneration	8,449	7,969
Impairment loss on goodwill	–	20,549

7. Finance Costs

	2013 HK\$'000	2012 HK\$'000
Interest on bank loans	108,460	66,101

Effective interest rate of bank loans was approximately 5.75% per annum (note 37(c)) as of 31 December 2013.

Notes to the Financial Statements

8. Directors' and Five Highest Paid Individuals' Emoluments

(a) Directors' emoluments:

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

For the year ended 31 December 2013

	Directors' fee HK\$'000	Salaries, allowances and benefit in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	2013 Total HK\$'000
<i>Executive directors</i>					
Tang Shuangning	–	120	–	–	120
Zang Qiutao	–	150	–	–	150
Chen Shuang	–	2,028	7,500	–	9,528
Tang Chi Chun, Richard	–	1,563	4,100	15	5,678
Jiang Yuanzhi	–	1,328	2,900	–	4,228
<i>Non-executive director</i>					
Wang Weimin	–	125	–	–	125
<i>Independent non-executive directors</i>					
Ng Ming Wah, Charles*	44	78	–	–	122
Seto Gin Chung, John	120	220	–	–	340
Lin Zhijun	120	220	–	–	340
Chung Shui Ming, Timpson	120	230	–	–	350
	404	6,062	14,500	15	20,981

* Mr. Ng Ming Wah, Charles retired as Independent Non-executive Directors of the Company on 15 May 2013.

Notes to the Financial Statements

8. Directors' and Five Highest Paid Individuals' Emoluments (continued)

(a) Directors' emoluments: (continued)

For the year ended 31 December 2012

	Directors' fee HK\$'000	Salaries, allowances and benefit in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	2012 Total HK\$'000
<i>Executive directors</i>					
Tang Shuangning	–	120	–	–	120
Zang Qiutao	–	165	–	–	165
Chen Shuang	–	2,035	7,500	–	9,535
Tang Chi Chun, Richard	–	1,565	4,100	14	5,679
Jiang Yuanzhi	–	1,335	2,900	–	4,235
<i>Non-executive director</i>					
Wang Weimin	–	125	–	–	125
<i>Independent non-executive directors</i>					
Ng Ming Wah, Charles	120	224	–	–	344
Seto Gin Chung, John	120	215	–	–	335
Lin Zhijun	120	215	–	–	335
Chung Shui Ming, Timpson	44	85	–	–	129
	404	6,084	14,500	14	21,002

Notes to the Financial Statements

8. Directors' and Five Highest Paid Individuals' Emoluments (continued)

(b) Five highest paid individuals' emoluments

	2013 HK\$'000	2012 HK\$'000
Salaries and other emoluments	7,800	7,496
Bonuses	27,660	29,753
Retirement scheme contributions	111	107
	35,571	37,356

	2013	2012
Number of directors	2	2
Number of employees	3	3
	5	5

Their emoluments were within the following bands:

	Number of individuals	
	2013	2012
HK\$5,000,001 to HK\$5,500,000	2	1
HK\$5,500,001 to HK\$6,000,000	1	1
HK\$7,500,001 to HK\$8,000,000	–	1
HK\$8,500,001 to HK\$9,000,000	–	1
HK\$9,500,001 to HK\$10,000,000	2	1
	5	5

During the year, no emoluments were paid to the five highest paid individuals (including directors and employees) as an inducement to join the Group or as compensation for loss of office (2012: HK\$Nil).

Bonus payment is determined pursuant to incentive schemes and relevant policies of the Group.

Notes to the Financial Statements

9. 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 HK\$'000	2012 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 HK\$'000	2012 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

Notes to the Financial Statements

10. Profit Attributable to Shareholders

Net profit for the year of the Company of approximately HK\$448,375,000 (2012: net profit of approximately HK\$857,427,000) has been dealt with in the financial statements of the Company.

11. Dividends

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

	2013 HK\$'000	2012 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 HK\$'000	2012 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

Notes to the Financial Statements

12. Other Comprehensive Income

(a) Tax effects relating to each component of other comprehensive income

	2013			2012		
	Before tax amount HK\$'000	Tax expense HK\$'000	Net of tax amount HK\$'000	Before tax amount HK\$'000	Tax credit HK\$'000	Net of tax amount HK\$'000
Net movement in investment revaluation reserve of available-for-sale securities	(374,271)	(119,511)	(493,782)	157,883	146,824	304,707
Share of other comprehensive income of associates, as per the associates' financial statements	356,558	-	356,558	387,072	-	387,072
Share of other comprehensive income of a joint venture, as per the joint venture's financial statements	(8,471)	-	(8,471)	557	-	557
Adjustments to share of other comprehensive income of associates to conform with the Group's accounting policies	(36,277)	-	(36,277)	256,291	-	256,291
Exchange reserve	72,755	-	72,755	59,216	-	59,216
	10,294	(119,511)	(109,217)	861,019	146,824	1,007,843

(b) Reclassification adjustments relating to components of other comprehensive income

	2013 HK\$'000	2012 HK\$'000
Available-for-sale securities:		
Changes in fair value recognised during the year	243,822	926,363
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	(758,754)	(683,395)
– impairment losses	21,150	61,739
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	(493,782)	304,707

13. 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.

Notes to the Financial Statements

14. Fixed Assets

(a) Group

	Interests in leasehold land held for own use under operating leases HK\$'000	Buildings held for own use carried at cost HK\$'000	Investment properties HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures, equipment and motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:						
As at 1 January 2012	456,583	75,172	50,750	30,365	33,239	646,109
Additions	-	1,679	-	7,146	11,810	20,635
Disposals	-	-	-	-	(380)	(380)
Surplus on revaluation	-	-	5,880	-	-	5,880
Exchange adjustments	-	-	-	-	3	3
As at 31 December 2012	456,583	76,851	56,630	37,511	44,672	672,247
Representing:						
Cost	456,583	76,851	-	37,511	44,672	615,617
Professional valuation	-	-	56,630	-	-	56,630
	456,583	76,851	56,630	37,511	44,672	672,247
As at 1 January 2013	456,583	76,851	56,630	37,511	44,672	672,247
Additions	-	-	-	83	16,375	16,458
Disposals	-	-	-	(287)	(2,035)	(2,322)
Surplus on revaluation	-	-	2,470	-	-	2,470
Exchange adjustments	-	-	-	-	152	152
As at 31 December 2013	456,583	76,851	59,100	37,307	59,164	689,005
Representing:						
Cost	456,583	76,851	-	37,307	59,164	629,905
Professional valuation	-	-	59,100	-	-	59,100
	456,583	76,851	59,100	37,307	59,164	689,005

Notes to the Financial Statements

14. Fixed Assets (continued)

(a) Group (continued)

	Interests in leasehold land held for own use under operating leases HK\$'000	Buildings held for own use carried at cost HK\$'000	Investment properties HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures, equipment and motor vehicles HK\$'000	Total HK\$'000
Accumulated depreciation:						
As at 1 January 2012	30,541	8,298	–	13,284	24,415	76,538
Charge for the year	6,933	1,791	–	6,545	4,157	19,426
Written back on disposal	–	–	–	–	(342)	(342)
Exchange adjustments	–	–	–	–	1	1
As at 31 December 2012 and at 1 January 2013	37,474	10,089	–	19,829	28,231	95,623
Charge for the year	6,933	1,794	–	5,339	6,559	20,625
Written back on disposal	–	–	–	(287)	(2,035)	(2,322)
Exchange adjustments	–	–	–	–	100	100
As at 31 December 2013	44,407	11,883	–	24,881	32,855	114,026
Net book value:						
As at 31 December 2013	412,176	64,968	59,100	12,426	26,309	574,979
As at 31 December 2012	419,109	66,762	56,630	17,682	16,441	576,624

Notes to the Financial Statements

14. Fixed Assets (continued)

(b) Company

	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:			
As at 1 January 2012	181	2,035	2,216
Additions	16	–	16
As at 31 December 2012	197	2,035	2,232
As at 1 January 2013	197	2,035	2,232
Disposal	–	(1,348)	(1,348)
As at 31 December 2013	197	687	884
Accumulated depreciation:			
As at 1 January 2012	132	2,024	2,156
Charge for the year	15	11	26
As at 31 December 2012 and at 1 January 2013	147	2,035	2,182
Charge for the year	17	–	17
Written back on disposals	–	(1,348)	(1,348)
As at 31 December 2013	164	687	851
Net book value:			
As at 31 December 2013	33	–	33
As at 31 December 2012	50	–	50

- (c) The Group's interests in leasehold land and buildings and investment properties situated in Hong Kong and Mainland China were appraised as at 31 December 2013 by RHL Appraisal Limited, an independent professional valuer who have among their staff Fellows of Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. These properties were appraised on an open market basis and investment properties are carried in the balance sheet at market value.

As at 31 December 2013 had the Group's interests in leasehold land and buildings, which were carried at cost less accumulated depreciation, been carried at fair value, their carrying amount would have been HK\$1,067,911,000 (2012: HK\$1,026,688,000).

Investment properties of HK\$59,100,000 (2012: HK\$56,630,000) of the Group are rented out under operating leases, of which HK\$11,400,000 (2012: HK\$10,100,000) are rented to the ultimate holding company.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

14. Fixed Assets (continued)

(d) The analysis of net book value of properties is as follows:

	Group 2013 HK\$'000	2012 HK\$'000
Held in Hong Kong		
– on long lease	286,860	289,213
– on medium-term lease	47,900	45,830
	334,760	335,043
Held outside Hong Kong		
– on medium-term lease	201,484	207,458
	201,484	207,458
	536,244	542,501

(e) Fair value measurement of properties

(i) *Fair value hierarchy*

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

Notes to the Financial Statements

14. Fixed Assets (continued)

(e) Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

	Fair value at 31 December 2013 HK\$'000	Fair value measurements as at 31 December 2013 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Group				
Recurring fair value measurement				
Investment properties:				
– Residential – Hong Kong	59,100	–	–	59,100

During the year ended 31 December 2013, there were no transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

	Valuation technique(s)	Unobservable input(s)	Range
Investment properties	Direct comparison approach	Premium (discount) on characteristic of the properties	-17% to 20%

The fair value of investment properties is determined using direct comparison approach to value these properties in their respective existing states and uses on the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence. The valuations take into account the characteristic of the properties which included the location, size, shape, view, floor level, year of completion and others factors collectively. Higher premium for properties with better characteristic will result in a higher fair value measurement.

The movements during the period in the balance of these Level 3 fair value measurements are as follow:

	HK\$'000
Investment properties – Residential – Hong Kong:	
At 1 January 2013	56,630
Net surplus on revaluation of investment properties	2,470
At 31 December 2013	59,100

Net surplus on revaluation of investment properties is recognised in the line item “other net income” (note 4) on the face of the consolidated income statement.

All the gains recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

Notes to the Financial Statements

15. Investments in Subsidiaries, Balances with Subsidiaries and Investee Companies

(a) Investments in subsidiaries

	Company	
	2013	2012
	HK\$'000	HK\$'000
Unlisted shares at cost	3,496,586	3,496,586
Less: impairment loss	(534,930)	(527,700)
	2,961,656	2,968,886

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of subsidiary	Place of incorporation	Class of shares	Particulars of issued share capital	Percentage of equity interest held by the Company	Principal activities
Ally Point Limited	Hong Kong	Ordinary	HK\$100,000	100% ¹	Investment holding
CEL Venture Capital (Shenzhen) Limited	The PRC	Not applicable	HK\$500,000,000	100%	Provision of investment advisory services and investment
CEL Management Services Limited	Hong Kong	Ordinary	HK\$2	100%	Provision of management services
CEL (Secretaries) Limited	Hong Kong	Ordinary	HK\$2	100%	Provision of secretarial services
China Everbright Assets Management Limited	Hong Kong	Ordinary	HK\$5,000,000	100% ¹	Provision of asset management services
Everbright Capital Management Limited	Hong Kong	Ordinary	HK\$7,000,000	100% ¹	Provision of asset management services
China Everbright Finance Limited	Hong Kong	Ordinary	HK\$100,000,000	100% ¹	Money lending
China Everbright Financial Investments Limited	Hong Kong	Ordinary	HK\$1,000,000	100% ¹	Investment
China Everbright Network Payment Limited	Hong Kong	Ordinary	HK\$346.86	45.25% ¹	Project investment

Notes to the Financial Statements

15. Investments in Subsidiaries, Balances with Subsidiaries and Investee Companies (continued)

(a) Investments in subsidiaries (continued)

Name of subsidiary	Place of incorporation	Class of shares	Particulars of issued share capital	Percentage of equity interest held by the Company	Principal activities
China Everbright Industrial Investment Holdings Limited	Cayman Islands	Ordinary	US\$10,000	100%	Investment
China Everbright Investment Management Limited	Hong Kong	Ordinary	HK\$1,000,000	100%	Provision of investment management services
China Special Opportunities Fund, L.P.	Cayman Islands	Limited Partnership	Not applicable	50% ¹	Investment
Everbright Ashmore (Hong Kong) Limited	Hong Kong	Ordinary	US\$1,000	51% ¹	Fund management
Everbright Ashmore Investment Management	Cayman Islands	Ordinary	US\$1,000	51% ¹	Fund management
Everbright Ashmore Real Estate Partners	Cayman Islands	Ordinary	US\$11,000	51% ¹	Fund management
Everbright Ashmore Services and Consulting Limited	Cayman Islands	Ordinary	US\$1,000	51% ¹	Fund management
Everbright New Industries Capital Company Limited	The PRC	Not applicable	RMB200,000,000	70%	Project investment
Everbright San Shan Capital Management Company Limited	The PRC	Not applicable	RMB30,000,000	51%	Asset management
Fortunecrest Investment Limited	British Virgin Islands	Ordinary	US\$1	100% ¹	Property investment
Goalfield Investments Limited	British Virgin Islands	Ordinary	US\$1	100% ¹	Investment
Janco Development Limited	Hong Kong	Ordinary	HK\$2	100%	Property investment
Solidpole Limited	Hong Kong	Ordinary	HK\$2	100%	Investment holding
SeaBright Asset Management Limited	Hong Kong	Ordinary	HK\$1,000,000	65%	Asset management

Notes to the Financial Statements

15. Investments in Subsidiaries, Balances with Subsidiaries and Investee Companies (continued)

(a) Investments in subsidiaries (continued)

Name of subsidiary	Place of incorporation	Class of shares	Particulars of issued share capital	Percentage of equity interest held by the Company	Principal activities
Seabright China Special Opportunities (I) Limited	British Virgin Islands	Non-participating shares	US\$5	78.90% ¹	Investment
		Participating redeemable preference shares	US\$415		
Trycom Management Limited	British Virgin Islands	Ordinary	US\$1	100%	Investment holding
Wealthlink Pacific Limited	British Virgin Islands	Ordinary	US\$1	100%	Investment
Windsor Venture Limited	British Virgin Islands	Ordinary	US\$1	100%	Investment holding
Well Logic Investment Limited	Hong Kong	Ordinary	HK\$2	100% ¹	Property investment
Everbright Absolute Return Fund	Cayman Islands	Ordinary	US\$100,000,000	100% ¹	Investment
China Everbright Asia Capital Limited	Cayman Islands	Ordinary	US\$3,800,000	100% ¹	Investment
深圳市光控投資諮詢有限公司	The PRC	Not applicable	RMB10,000,000	100% ¹	Provision of consultancy services
深圳市遠景新風投資諮詢有限公司	The PRC	Not applicable	RMB25,462,500	100% ¹	Project investment
深圳市衡遠投資發展有限公司	The PRC	Not applicable	RMB10,000,000	61% ¹	Project investment
Everbright Venture Capital Jiangyin Company Limited	The PRC	Not applicable	RMB359,000,000	48.7% ¹	Venture capital
光大匯益偉業投資管理(北京)有限公司	The PRC	Not applicable	RMB25,300,000	100% ¹	Project investment
光大控股(江蘇)投資有限公司	The PRC	Not applicable	US\$100,000,000	100%	Investment

Notes to the Financial Statements

15. Investments in Subsidiaries, Balances with Subsidiaries and Investee Companies (continued)

(a) Investments in subsidiaries (continued)

Name of subsidiary	Place of incorporation	Class of shares	Particulars of issued share capital	Percentage of equity interest held by the Company	Principal activities
宜興光控投資有限公司	The PRC	Not applicable	RMB100,000,000	100% ¹	Project investment
重慶光控股權投資管理有限公司	The PRC	Not applicable	RMB10,000,000	100% ¹	Fund management
光控廣域投資(上海)合夥企業(有限合伙)	The PRC	Limited Partnership	RMB120,000,000	50% ¹	Investment
光控(海門)創業投資有限公司	The PRC	Not applicable	US\$6,000,000	100%	Investment
光大控股(青島)投資有限公司	The PRC	Not applicable	US\$48,000,000	100%	Investment
成都光控西部創業投資有限公司	The PRC	Not applicable	RMB20,000,000	100% ¹	Investment
Winning Trend Investments Limited	British Virgin Islands	Ordinary	US\$1	100% ¹	Investment
上海光控嘉鑫股權投資管理有限公司	The PRC	Not applicable	RMB50,000,000	100% ¹	Fund management
成都光控安鑫股權投資基金管理有限公司	The PRC	Not applicable	RMB10,000,000	100% ¹	Fund management
青島光控低碳新能股權投資有限公司	The PRC	Not applicable	RMB455,000,000	76.90% ¹	Investment
青島光控新產業股權投資管理有限公司	The PRC	Not applicable	RMB10,000,000	100% ¹	Investment
光大控股(青島)融資租賃有限公司	The PRC	Not applicable	US\$15,000,000	100% ¹	Investment
上海光控股權投資管理有限公司	The PRC	Not applicable	RMB10,000,000	100% ¹	Fund management
China Everbright Structured Investment Management Limited	Hong Kong	Ordinary	HK\$5,000,000	100% ¹	Investment
Diamond Gate Group Limited	British Virgin Islands	Ordinary	US\$1	100% ¹	Investment holding

Notes to the Financial Statements

15. Investments in Subsidiaries, Balances with Subsidiaries and Investee Companies (continued)

(a) Investments in subsidiaries (continued)

Name of subsidiary	Place of incorporation	Class of shares	Particulars of issued share capital	Percentage of equity interest held by the Company	Principal activities
CEL Israel Holdings Limited	British Virgin Islands	Ordinary	US\$1	100% ¹	Investment holding
CEL Israel Equity Management Limited	British Virgin Islands	Ordinary	US\$1	100% ¹	Investment
Champion Castle Investments Limited	Hong Kong	Ordinary	HK\$1	100% ¹	Investment holding
China Everbright Global Investment Advisors Company Limited	Hong Kong	Ordinary	HK\$5,000,000	100% ¹	Provision of advisory services

⁽¹⁾ Subsidiaries held indirectly.

(b) Amounts due from subsidiaries

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

(c) Amounts due to subsidiaries

Amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(d) Amounts due from 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.

(e) Amount due to an investee company

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

Notes to the Financial Statements

16. Investments in Associates

(a) Investments in associates

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investments, at cost				
Shares listed in Mainland China	1,782,996	1,782,996	1,784,192	1,784,192
Unlisted shares:				
– in Hong Kong	561,951	561,951	40,390	40,390
– Outside Hong Kong	231,159	38,784	683	683
Share of post-acquisition reserves	8,818,743	8,453,642	–	–
Intangible assets	46,409	54,314	–	–
	11,441,258	10,891,687	1,825,265	1,825,265
Less:				
Provision for impairment charged against investment costs	(165,548)	(165,548)	(41,073)	(41,073)
Goodwill on acquisition	(591,037)	(591,037)	–	–
Carrying value, net	10,684,673	10,135,102	1,784,192	1,784,192
Market value of listed shares in Mainland China	12,594,885	20,025,418	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.

Notes to the Financial Statements

16. Investments in Associates (continued)

(c) Supplementary financial information of principal associates

Supplementary financial information in respect of an individually material associate extracted from its financial statements is as follows:

	Everbright Securities	
	2013	2012
	HK\$'000	HK\$'000
Gross amounts of the associate		
Current assets	58,747,910	58,816,205
Non-current assets	9,754,635	13,673,628
Current liabilities	(37,621,267)	(43,748,930)
Non-current liabilities	(849,689)	(241,449)
Non-controlling interests	(979,341)	(916,890)
Equity attributable to equity shareholders of the associate	29,052,248	27,582,564
Operating income	5,056,989	4,517,154
Profit from operations	356,751	1,278,346
Other comprehensive income	533,332	730,190
Total comprehensive income	890,083	2,008,536
Dividend received from the associate	132,188	363,548
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	29,052,248	27,582,564
Group's effective interest	33.33%	33.33%
Group's share of net assets of the associate	9,684,083	9,194,188
Carrying amount as per the associate's financial statements	9,684,083	9,194,188
Adjustments to share of profits less losses to conform with the Group's accounting policies	68,785	228,875
Carrying amount in the Group's consolidated financial statement	9,752,868	9,423,063

Aggregate information of associates that are not individually material:

	2013	2012
	HK\$'000	HK\$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	931,805	712,039
Aggregate amounts of the Group's share of those associates'		
Profit for the year	35,291	1,064
Other comprehensive income	—	—
Total comprehensive income	35,291	1,064

(d) Amount due from an associate

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

Notes to the Financial Statements

17. Investments in Joint Ventures

(a) Investments in joint ventures

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	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.

Notes to the Financial Statements

17. Investments in Joint Ventures (continued)

(b) (continued)

Aggregate information of joint ventures that are not individually material:

	2013 HK\$'000	2012 HK\$'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	721,404	441,554
Aggregate amounts of the Group's share of those joint ventures		
Profit for the year	93,522	39,510
Other comprehensive income	(8,471)	557
Total comprehensive income	85,051	40,067
Unrecognised share of losses of a joint venture	(100,781)	(72,016)

(c) Amounts due from joint ventures

Amounts due from joint ventures are unsecured, interest free and have no fixed terms of repayment.

(d) Amount due to a joint venture

Amount due to a joint venture is unsecured, interest free and has no fixed terms of repayment.

18. Available-For-Sale Securities

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
At fair value:				
Listed equity securities:				
– in Hong Kong	409,169	356,205	–	–
– outside Hong Kong	6,211,906	7,407,091	5,709,762	6,646,750
Unlisted equity securities				
– in Hong Kong	403,911	–	–	–
– outside Hong Kong	5,375,160	4,082,058	–	108,540
Unlisted debt securities	94,087	105,068	–	–
At cost ⁽ⁱ⁾ :				
Unlisted equity securities	548,318	536,164	–	–
	13,042,551	12,486,586	5,709,762	6,755,290

- (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.

Notes to the Financial Statements

18. Available-For-Sale Securities (continued)

	Group 2013 HK\$'000	2012 HK\$'000
Fair value of available-for-sale securities that were individually determined to be impaired as at 31 December:		
Listed equity securities		
– Hong Kong	15,811	62,622
– Outside Hong Kong	9,330	18,383
Unlisted equity securities	88,675	62,540
	113,816	143,545

As at 31 December 2013, certain of the Group's available-for-sale equity securities were individually determined to be impaired on the basis of a significant or prolonged decline in their fair value below cost.

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 34(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.

19. Financial Assets Designated at Fair Value Through Profit or Loss

	2013 HK\$'000	2012 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 34(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 overseas unlisted equity securities amounting to a fair value of HK\$2,243,493,000 (2012: 1,004,679,000) were 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.

Notes to the Financial Statements

20. Advances to Customers

	2013 HK\$'000	2012 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 (note 37 (a)).

An aging analysis of advances to customers is as follows:

	2013 HK\$'000	2012 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

21. Debtors, Deposits and Prepayments

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Accounts receivable, net	1,157,139	377,975	123,451	–
Deposits, prepayments, interest and other receivables	458,053	175,246	1,111	4,652
	1,615,192	553,221	124,562	4,652
Less: Allowance of doubtful debt	(57,000)	–	–	–
	1,558,192	553,221	124,562	4,652

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.

22. Trading Securities

	2013 HK\$'000	2012 HK\$'000
Current Assets		
At fair value:		
Listed equity securities:		
– in Hong Kong	98,022	30,182
– outside Hong Kong	150,135	296,016
Listed debt securities:		
– outside Hong Kong	36,302	255,899
Unlisted debt securities	355,003	208,690
Derivatives:		
– listed	9,868	1,358
– unlisted	492	11,699
	649,822	803,844
Current Liabilities		
At fair value:		
Listed equity securities:		
– in Hong Kong	(56,675)	(7,198)
– outside Hong Kong	(64,514)	(49,429)
Unlisted debt securities	(127,767)	(107,437)
Derivatives:		
– listed	(7,276)	(5,404)
– unlisted	(689)	(6,257)
	(256,921)	(175,725)

Notes to the Financial Statements

23. Cash and Cash Equivalents

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash on hand, savings and current accounts	2,229,567	2,182,518	6,124	1,310
Fixed deposits with banks	1,535,411	482,283	–	–
Cash and cash equivalents in the consolidated balance sheet	3,764,978	2,664,801	6,124	1,310
Less: Deposits pledged	(931,271)	(263,695)	–	–
Cash and cash equivalents in the consolidated cash flow statement	2,833,707	2,401,106	6,124	1,310

24. Bank Loans

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

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	2,009,663	527,000	452,232	527,000
After 1 year but within 5 years	1,025,720	447,840	516,843	–
After 5 years	59,554	64,561	–	–
	1,085,274	512,401	516,843	–
	3,094,937	1,039,401	969,075	527,000

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

	2013	2012
	HK\$'000	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.

Notes to the Financial Statements

25. 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.

26. Creditors, Deposits Received and Accrued Charges

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Creditors, deposits received and accrued charges	749,835	309,018	7,263	3,028

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

27. Notes Payable

	2013	2012
	HK\$'000	HK\$'000
Non-current liability		
Unlisted note issued by the Group, at fair value	–	20,000
Current liabilities		
Unlisted notes issued by the Group, at fair value:		
Face value	47,000	124,541
Unrealised loss	–	10,999
	47,000	135,540

As at 31 December 2013, the Group issued two notes to two independent third parties and the notes payable are interest bearing and have fixed repayment terms.

28. Income Tax in the Balance Sheet

(a) Current taxation in the consolidated balance sheet represents:

	2013	2012
	HK\$'000	HK\$'000
Provision for Hong Kong profits tax for the year	12,323	6,234
Provision for PRC Tax for the year	65,135	203,540
Provisional profits tax paid	(14,493)	(143,397)
	62,965	66,377
Balance of profits tax provision relating to prior years	239,596	288,995
	302,561	355,372

Notes to the Financial Statements

28. Income Tax in the Balance Sheet (continued)

(b) Deferred taxation

(i) The Group

The movements on the deferred tax liabilities recognised in the consolidated balance sheet are as follows:

	Fair value adjustment for available-for-sale securities		Tax losses		Withholding tax on associate's profit		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
At 1 January	(68,237)	(215,061)	-	-	(94,818)	(104,726)	(163,055)	(319,787)
Credited/(charged) to profit or loss	-	-	-	-	(2,233)	9,908	(2,233)	9,908
Credited to reserve	(119,511)	146,824	-	-	-	-	(119,511)	146,824
At 31 December	(187,748)	(68,237)	-	-	(97,051)	(94,818)	(284,799)	(163,055)

In accordance with the accounting policy set out in note 2(q), the Group has not recognised deferred tax assets, in respect of tax losses of approximately HK\$2,094 million (2012: approximately HK\$1,930 million), as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant entities. The tax losses do not expire under current tax legislation.

(ii) The Company

The movements on the deferred tax liabilities recognised in the Company's balance sheet are as follows:

Withholding tax on associate's profit

	2013 HK\$'000	2012 HK\$'000
At 1 January	(94,818)	(104,726)
(Charged)/credited to profit or loss	(2,233)	9,908
At 31 December	(97,051)	(94,818)

29. Share Capital

	2013 HK\$'000	2012 HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$1.00 each	2,000,000	2,000,000
<i>Issued and fully paid:</i>		
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.

Notes to the Financial Statements

29. Share Capital (continued)

(a) Capital Management

The Group's primary objectives in capital management are maximising shareholder return, matching of business funding needs and maintaining the Group's ability to continue as a going concern. Management regularly, or as changes in circumstances warrant, reviews and manages its capital structure so as to maintain a proper balance amongst shareholder returns, leveraging and funding requirement.

Net assets for capital management is defined as liabilities generated from operations (includes other payables and trading securities liabilities), notes payable, interest bearing loans and unaccrued proposed dividends, less advances to customers, debtors, deposits and prepayments and cash and cash equivalents. In view of the development of the Group's business strategies, management has considered debtors, deposits and prepayments and advances to customers form part of the calculation of the net assets for capital management. Comparative figures have been restated to conform with current year's presentation. Adjusted capital represents total equity less unaccrued proposed dividends. The net-assets-to-adjusted capital ratio at 31 December 2013 and 2012 was as follows:

	Notes	2013 HK\$'000	2012 HK\$'000 (Restated)
Current liabilities			
Creditors, deposits received and accrued charges	26	749,835	309,018
Trading securities	22	256,921	175,725
Bank loans	24	2,009,663	527,000
Amount due to a fellow subsidiary and shareholder	25	500,000	–
Notes payable	27	47,000	135,540
Financial liabilities designated at fair value through profit or loss		7,268	97,495
		3,570,687	1,244,778
Non-current liabilities			
Bank loans	24	1,085,274	512,401
Note payable	27	–	20,000
Total debt		4,655,961	1,777,179
Add: Proposed dividends		337,051	258,084
Less:			
Advances to customers	20	(2,536,117)	(2,457,776)
Debtors, deposits and prepayments	21	(1,558,192)	(553,221)
Cash and cash equivalents	23	(3,764,978)	(2,664,801)
Net assets for capital management		(2,866,275)	(3,640,535)
Total equity		31,728,913	29,956,279
Less: Proposed dividends		(337,051)	(258,084)
Adjusted capital		31,391,862	29,698,195
Net-assets-to-adjusted capital ratio		(9.1%)	(12.3%)

29. Share Capital (continued)

(a) Capital Management (continued)

As at 31 December 2013, the Group's liquidity has remained healthy. The addition of financial resources is mainly attributable to fruitful returns, through divestment and dividends, from investments. During the year, The Group has also made further investment over advances to customers, trading securities, available-for-sale securities and financial assets designated as fair value through profit or loss. To enhance shareholder returns, the Group continues to seek new investment opportunities while maintaining a healthy capital structure.

The Company is not subject to externally imposed capital requirements. Certain subsidiaries of the Company are subject to regulatory imposed capital and liquid capital requirements (see also note 37(b)). These subsidiaries have complied with those requirements at all time during both the current and prior financial years.

(b) 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.

Notes to the Financial Statements

30. Reserves

The Company

	Notes	Share premium HK\$'000	Option premium reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1 January 2012		7,890,967	–	4,649,248	–	6,568	266,167	12,812,950
Dividends paid	11	–	–	–	–	–	(705,431)	(705,431)
Profit for the year		–	–	–	–	–	857,427	857,427
Other comprehensive income for the year		–	–	478,950	–	–	–	478,950
As at 31 December 2012 and 1 January 2013		7,890,967	–	5,128,198	–	6,568	418,163	13,443,896
Dividends paid	11	–	–	–	–	–	(447,295)	(447,295)
Profit for the year		–	–	–	–	–	448,375	448,375
Other comprehensive income for the year		–	–	(828,831)	–	–	–	(828,831)
Shares repurchased	29(b)	–	–	–	–	462	(4,587)	(4,125)
Transfer of available-for-sale securities by the Company to the Social Security Fund	31(viii)	–	–	(99,260)	–	–	(30,712)	(129,972)
As at 31 December 2013		7,890,967	–	4,200,107	–	7,030	383,944	12,482,048

The movement in the Group's reserves has been disclosed in the consolidated statement of changes in equity.

31. Nature and Purpose of Reserves

(i) Share premium and capital redemption reserve

The application of the share premium and the capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

(ii) Option premium reserve

The option premium reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share based payments.

(iii) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies in note 2(f).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(t).

(v) Goodwill reserve

The goodwill reserve comprises goodwill on acquisitions that occurred prior to 1 January 2001. The reserve is dealt with in accordance with the accounting policies set out in note 2(e).

(vi) Capital reserve

The capital reserve comprises specific allocation of amount transferred from retained earnings due to regulatory requirements. It also includes the share of statutory reserve of associates.

(vii) Distributability of reserve

As at 31 December 2013, the aggregate amount of reserve available for distribution to equity shareholders of the Company, as calculated under Section 79B of the Companies Ordinance was HK\$383,944,000 (2012: HK\$418,163,000).

(viii) 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.

Notes to the Financial Statements

32. 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)

Notes to the Financial Statements

33. Related Party Transactions

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

	2013 HK\$'000	2012 HK\$'000
Rental income from an ultimate holding company	240	240
Management fee received from:		
– a joint venture	6,145	12,821
– an associate exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss	22,514	23,795
Realised gain on disposal of available-for-sale securities from a fellow subsidiary	90,989	–
Loan interest income from:		
– an ultimate holding company	–	3,128
– a joint venture	1,150	10,393
– an associate exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss	22,011	2,194
Consultancy and other service income from a joint venture	10,434	–
Consultancy fee to an associate	3,432	3,003
Interest expense to a fellow subsidiary and shareholder	15,621	–
Remuneration for key management personnel (including the Company's directors) which is included in "staff cost":		
– short-term employee benefits	46,715	53,414
– retirement scheme contributions	226	215

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

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Amounts due from associates (included in debtors, deposits and prepayments)	172,010	13,201	123,614	12
Loan to an associate exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss (included in advances to customers)	209,157	252,470	–	–

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

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

Notes to the Financial Statements

33. Related Party Transactions (continued)

(c) Transactions with other PRC state-owned entities

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

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

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

34. 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:

- 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).
- 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).

35. Commitments

(a) Capital commitment

As at 31 December 2013, the Group had capital commitments as follows:

	2013 HK\$'000	2012 HK\$'000
Contracted but not provided for	362,892	748,754
Authorised but not contracted for	–	49,760

(b) Operating lease commitments

Operating lease commitments as at 31 December 2013 amounted to approximately HK\$3,160,000 (2012: HK\$229,000) of which HK\$2,950,000 (2012: HK\$229,000) is payable in the next twelve months. The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2013 HK\$'000	2012 HK\$'000
Not later than one year	2,950	229
Later than one year and not later than five years	210	–
	3,160	229

(c) Future operating lease arrangement

As at 31 December 2013, the Group had future aggregate minimum lease receipts under non-cancellable operating leases for investment properties as follows:

	2013 HK\$'000	2012 HK\$'000
Not later than one year	964	1,315
Later than one year and not later than five years	212	594
	1,176	1,909

35. Commitments (continued)

(d) Off-balance sheet exposure

The fair values and the contractual or notional amounts of the Group's trading equity derivatives outstanding at 31 December 2013 are detailed as follows:

	Fair value assets/ (liabilities)		Contractual/ notional amounts	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Assets derivative contracts	10,360	13,057	878,754	983,695
Liabilities derivative contracts	(7,965)	(11,661)	784,106	270,806

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

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

36. Involvement with Unconsolidated Structured Entities

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Group
Investment funds	To generate fees from managing assets on behalf of third party investors	• Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	• Management fees

As at 31 December 2013, the carrying value of interests held by the Group in unconsolidated structured entities amounted to HK\$1,401,179,000 and was recognised in financial assets designated at fair value through profit or loss in the consolidated balance sheet. The maximum exposure to loss is the carrying value of the assets held.

37. Financial Instruments

Risk management is of fundamental importance to the business operation of the Group. The major types of risk inherent in the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The Group's risk management objective is to maximise shareholders' value and to reduce volatility in earnings while maintaining risk exposures 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 34(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).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from advances to customers are set out in notes 20 and 32.

Notes to the Financial Statements

37. Financial Instruments (continued)

(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.

The following table details the remaining contractual maturities on the balance sheet date of the Group's and the Company's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance date) and the earliest date the Group and the Company can be required to pay:

The Group

	2013				2012			
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Creditors, deposits received and accrued charges	749,835	749,835	749,835	-	309,018	309,018	309,018	-
Amount due to an associate	-	-	-	-	438	438	438	-
Bank loans	3,094,937	3,278,216	2,138,764	1,139,452	1,039,401	1,155,548	561,625	593,923
Notes payable	47,000	47,000	47,000	-	155,540	155,540	135,540	20,000
Trading securities	256,921	256,921	256,921	-	175,725	175,725	175,725	-
Financial liabilities designated at fair value through profit or loss	7,268	7,268	7,268	-	97,495	97,495	97,495	-
Amount due to a joint venture	2,197	2,197	2,197	-	5,756	5,756	5,756	-
Amount due to an investee company	80,339	80,339	80,339	-	-	-	-	-
Amount due to a fellow subsidiary and Shareholder	500,000	513,582	513,582	-	-	-	-	-
	4,738,497	4,935,358	3,795,906	1,139,452	1,783,373	1,899,520	1,285,597	613,923

Notes to the Financial Statements

37. Financial Instruments (continued)

(b) Liquidity risk (continued)

The Company

	2013				2012		
	Carrying amount HK\$'000	Total contractual undiscouted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year HK\$'000	Carrying amount HK\$'000	Total contractual undiscouted cash flow HK\$'000	Within 1 year or on demand HK\$'000
Creditors, deposits received and accrued charges	7,263	7,263	7,263	–	3,028	3,028	3,028
Amounts due to subsidiaries	677,028	677,028	298,237	378,791	308,084	308,084	308,084
Amount due to an associate	–	–	–	–	438	438	438
Bank loan	969,075	1,004,166	477,149	527,017	527,000	527,470	527,470
	1,653,366	1,688,457	782,649	905,808	838,550	839,020	839,020
Financial guarantees issued: Maximum amount guaranteed (note 34(a))	2,450,689	2,450,689	2,450,689	–	807,600	807,600	807,600

(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.

The Group is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In respect of the Group's interest-bearing financial instruments, the Group's policy is to transact in financial instruments that mature or reprice in the short term, i.e. no longer than 12 months. Accordingly, the Group would be subject to limited exposure to fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

In respect of interest-bearing financial assets and financial liabilities at variable interest rates, the following table indicates their effective interest rate at the balance sheet date. At 31 December 2013, it is estimated that a general increase/decrease of 0.5% in interest rates, with all other variables held constant, would have increased the Group's profit after tax and retained earnings, by HK\$1,081,642/HK\$1,457,936 (2012: increase of HK\$10,521,836/decrease of HK\$7,564,543 for increase/decrease of 0.5% in interest rate).

Notes to the Financial Statements

37. Financial Instruments (continued)

(c) Interest rate risk (continued)

The above increase or decrease in interest rate represent the management's assessment of a reasonable change in interest rates over the period until the next annual balance sheet date. It also assumes that all other variable remains constant. The analysis is performed on the same basis for 2012.

The Group's interest bearing assets and liabilities are substantially at variable interest rate basis.

	2013		2012	
	Effective interest rate %	HK\$'000	Effective interest rate %	HK\$'000
Assets				
Advances to customers	7.47%	435,580	12.00%	746,400
Bank balances and cash	1.14%	3,764,978	0.43%	2,664,801
Total interest bearing assets		4,200,558		3,411,201
Liabilities				
Bank loans	5.75%	3,094,937	4.66%	1,039,401
Amount due to a fellow subsidiary and shareholder	2.72%	500,000	—	—
Notes payable	3.50%	47,000	3.50%	155,540
Total interest bearing liabilities		3,641,937		1,194,941

(d) Currency risk

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

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

Notes to the Financial Statements

37. Financial Instruments (continued)

(d) Currency risk (continued)

At the balance sheet date, the Group's exposure to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate is tabled below:

	2013		2012	
	In USD HK\$'000	In RMB HK\$'000	In USD HK\$'000	In RMB HK\$'000
Fixed assets	–	441	–	427
Investments in associates	–	9,752,868	–	9,423,063
Investments in joint ventures	423,529	–	269,724	–
Available-for-sale securities	655,224	7,306,034	246,344	8,120,063
Financial assets designated at fair value through profit or loss	908,814	689,805	1,047,073	516,860
Advances to customers	644,737	–	903,082	622,000
Amounts due from investee companies	14,221	–	16,237	–
Amount due from a joint venture	198	–	–	–
Debtors, deposits and prepayments	1,067,183	9,518	217,196	–
Trading securities	–	34,942	–	–
Cash and cash equivalents	484,755	876,366	225,749	1,314
Bank loans	(969,075)	–	(527,000)	–
Creditors, deposits received and accrued charges	(154,958)	(6,361)	–	(33,512)
Financial liabilities designated at fair value through profit or loss (current liabilities)	–	–	(90,388)	–
Notes payable	–	–	–	(108,540)
Deferred tax liabilities	–	(97,051)	–	(163,055)
Net exposure arising from recognised assets and liabilities	3,074,628	18,566,562	2,308,017	18,378,620

An analysis of the estimated change in the Group's profit before tax and other components of consolidated equity in response to reasonably possible changes in the exchange rates to which the Group has significant exposure at the balance sheet date is presented in the following table.

	Increase/ (decrease) in exchange rates	2013		Increase/ (decrease) in exchange rates	2012	
		Effect on profit before tax HK\$'000	Effect on other components of equity HK\$'000		Effect on profit before tax HK\$'000	Effect on other components of equity HK\$'000
United States Dollars, USD	1% (1%)	19,957 (19,957)	10,790 (10,790)	1% (1%)	17,919 (17,919)	5,161 (5,161)
Renminbi, RMB	5% (5%)	75,361 (75,361)	852,967 (852,967)	5% (5%)	41,754 (41,754)	877,209 (877,209)

The above analysis assumes the change in exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk in existence at that date while all other variables remain constant. The stated changes also represent management's assessment of reasonably possible changes in exchange rates until the next annual balance sheet date. The Hong Kong dollar and the United States dollar peg is assumed to stay materially unaffected by any fluctuation of the United States dollar against other currencies. The analysis is performed on the same basis for 2012.

37. Financial Instruments (continued)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 22), available-for-sale securities (see note 18), financial assets designated as fair value through profit or loss (see note 19) 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.

The following table shows the approximate changes in the Group's profit after tax (and retained earnings) in response to reasonable change in the value of the relevant listed and unlisted equity investment. The analysis is performed on the same basis as in 2012:

	Increase/ (Decrease) in equity price	2013 Effect on profit after tax and retained profits HK\$'000	Effect on other components of equity of equity HK\$'000	Increase/ (Decrease) in equity price	2012 Effect on profit after tax and retained profits HK\$'000	Effect on other components of equity HK\$'000
Listed equity investments	10% (10%)	24,071 (26,586)	506,935 (596,936)	10% (10%)	31,519 (32,832)	591,480 (590,168)
Unlisted equity investments	5% (5%)	117,647 (125,427)	298,781 (291,001)	5% (5%)	35,311 (42,003)	230,911 (224,220)

Notes to the Financial Statements

37. Financial Instruments (continued)

(f) Offsetting financial assets and financial liabilities

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

	Gross amounts of recognised financial assets HK\$'000	Gross amounts of recognised financial liabilities set off in the balance sheet HK\$'000	Net amounts of financial assets presented in the balance sheet HK\$'000	Related amounts not set off in the balance sheet HK\$'000	Net Amount HK\$'000
As at 31 December 2013					
Trading securities	649,822	–	649,822	(453,758)	196,064
Debtors, deposit and prepayments	1,558,192	–	1,558,192	(325,754)	1,232,438
As at 31 December 2012					
Trading securities	803,844	–	803,844	(496,770)	307,074
Debtors, deposit and prepayments	533,221	–	553,221	(279,033)	274,188

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

	Gross amounts of recognised financial liabilities HK\$'000	Gross amounts of recognised financial assets set off in the balance sheet HK\$'000	Net amounts of financial liabilities presented in the balance sheet HK\$'000	Related amounts not set off in the balance sheet HK\$'000	Net Amount HK\$'000
As at 31 December 2013					
Trading securities	256,921	–	256,921	(204,383)	52,538
Creditors, deposit received and accrued charges	749,835	–	749,835	(791)	749,044
As at 31 December 2012					
Trading securities	175,725	–	175,725	(164,634)	11,091
Creditors, deposit received and accrued charges	309,018	–	309,018	(44,471)	264,547

38. Fair Values of Financial Instruments

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group uses an independent valuer to perform valuations of financial instruments, including available-for-sale equity securities and financial assets designated at fair value through profit or loss which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the Chief Financial Officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the Chief Financial Officer. Discussion of the valuation process and results with the Chief Financial Officer and the audit committee is held twice a year to coincide with the reporting dates.

As at 31 December 2013

	The Group				The Company		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000	Level 1 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement							
Assets							
Available-for-sale securities	6,715,161	-	6,327,390	13,042,551	5,709,762	-	5,709,762
Financial assets designated at fair value through profit or loss	120,570	672,011	2,536,209	3,328,790	-	-	-
Trading securities	553,222	79,777	16,823	649,822	-	-	-
	7,388,953	751,788	8,880,422	17,021,163	5,709,762	-	5,709,762
Liabilities							
Financial liabilities designated at fair value through profit or loss	-	-	(7,268)	(7,268)	-	-	-
Notes payable	-	-	(47,000)	(47,000)	-	-	-
Trading securities	(256,232)	(689)	-	(256,921)	-	-	-
	(256,232)	(689)	(54,268)	(311,189)	-	-	-

Notes to the Financial Statements

38. Fair Values of Financial Instruments (continued)

As at 31 December 2012

	Level 1 HK\$'000	The Group Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000	Level 1 HK\$'000	The Company Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement							
Assets							
Available-for-sale securities	7,868,364	–	4,618,222	12,486,586	6,646,750	108,540	6,755,290
Financial assets designated at fair value through profit or loss	90,100	–	1,926,794	2,016,894	–	–	–
Trading securities	583,455	220,389	–	803,844	–	–	–
	8,541,919	220,389	6,545,016	15,307,324	6,646,750	108,540	6,755,290
Liabilities							
Financial liabilities designated at fair value through profit or loss	–	–	(97,495)	(97,495)	–	–	–
Notes payable	–	–	(155,540)	(155,540)	–	–	–
Trading securities	(62,031)	(113,694)	–	(175,725)	–	–	–
	(62,031)	(113,694)	(253,035)	(428,760)	–	–	–

During the years ended 31 December 2012 and 2013, there were no transfers between Level 1 and Level 2. As at 31 December 2012, the fair value of one 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 price in active market, or all significant inputs to valuation techniques directly or indirectly based on observable market data have become available, the fair value measurement of this equity security was accordingly transferred from Level 3 to Level 2 of the fair value hierarchy. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in level 2 fair value measurements

The fair value of unlisted debt securities and derivatives in level 2 is determined using broker quotes.

Information about Level 3 fair value measurements

As at 31 December 2013

Valuation techniques	Significant unobservable inputs	Range	Increase/ (decrease) in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss HK\$'000	Favourable/ (unfavourable) impact on other comprehensive income HK\$'000
Market comparable companies	Discount for lack of marketability	20% to 45%	5% (5%)	(3,582) 3,582	(86,481) 86,481
	Market multiples	1 to 34	5% (5%)	4,793 (4,793)	165,444 (165,444)
	Premium /(discount) on characteristic of the properties	(35%) to 43%	5% (5%)	3,880 (3,880)	24,013 (24,013)
Residual approach	Premium /(discount) on characteristic of the properties	(42%) to 54%	5% (5%)	827 (827)	7,728 (7,728)

Notes to the Financial Statements

38. Fair Values of Financial Instruments (continued)

Information about Level 3 fair value measurements (continued)

The fair value of unquoted equity investments is estimated using an appropriate combination of (1) discount cash flow method to devolve the future value of the business into a present market value, (2) deducing from prices recently paid for similar assets and the financial indicators of the transacted assets such as net book value and net operating profit, (3) applying, if possible, price to earnings ("P/E") ratios, price to book ("P/B") ratios, enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") ratios and enterprise value to sales ("EV/Sales") ratios for similar listed companies adjusted to reflect the specific circumstances of the investments, (4) applying residual approach to deduct the estimated construction cost, interest and developer's profit from the gross development value, and (5) applying replacement cost approach to estimate the market value for the existing use of the land, plus the current cost of replacement of the improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

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

The movement during the year in the balance of Level 3 financial instruments is as follows:

	Group					Company
	Trading securities HK\$'000	Available-for-sale securities HK\$'000	Financial assets designated at fair value through profit or loss HK\$'000	Financial liabilities designated at fair value through profit or loss HK\$'000	Notes payable HK\$'000	Available-for-sale securities HK\$'000
At 1 January 2012	-	2,719,443	1,053,794	(148,058)	(633,965)	114,965
Purchased/(Issued)	-	1,555,529	431,613	-	(20,000)	-
Net unrealised gains or loss recognised in other comprehensive income	-	368,190	-	-	-	27,748
Net unrealised gains or loss recognised in profit or loss	-	(27,680)	441,387	(10,829)	(27,748)	-
(Sales)/repurchased	-	(47,937)	-	61,392	526,173	(34,173)
Reclassification	-	50,677	-	-	-	-
At 31 December 2012 and 1 January 2013	-	4,618,222	1,926,794	(97,495)	(155,540)	108,540
Purchased	57,203	1,783,941	1,428,407	-	-	-
Net unrealised gains or loss recognised in other comprehensive income	-	540,597	-	-	-	-
Net unrealised gains or loss recognised in profit or loss	(40,380)	-	102,375	(191)	-	-
(Sales)/repurchased	-	(615,370)	(451,949)	90,418	108,540	(108,540)
Reclassification	-	-	(469,418)	-	-	-
At 31 December 2013	16,823	6,327,390	2,536,209	(7,268)	(47,000)	-

Notes to the Financial Statements

39. Notes to the Consolidated Cash Flow Statement

Reconciliation of profit before taxation to net cash outflow from operating activities:

	2013 HK\$'000	2012 HK\$'000
Profit before taxation	1,799,640	1,581,559
Interest income on bank deposits	(50,636)	(31,424)
Interest expenses	108,460	61,072
Dividend income	(574,210)	(360,027)
Share of profits less losses of joint ventures	(82,279)	(18,716)
Share of profits less losses of associates	(160,909)	(138,746)
Depreciation expenses	20,625	19,426
Realised loss on notes payable	101,363	29,433
Realised gain on disposal of joint venture	(5,956)	–
Realised gain on disposal of associate	(960)	–
Realised loss on disposal of financial asset 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 asset designated at fair value through profit or loss	(368,464)	(419,038)
Unrealised loss on notes payable	–	27,747
Unrealised gain on financial liability designated at fair value through profit or loss	–	(8,170)
Net realised gain on disposal of available-for-sale securities	(758,754)	(683,395)
Net surplus on revaluation of investment properties	(2,470)	(5,880)
(Gain)/loss on disposal of fixed assets	(20)	34
Impairment loss on available-for-sale securities	21,150	61,739
Impairment loss on amounts due from investee companies	2,016	12,786
Reversal of impairment loss on amount due from an investee company	(62,661)	–
Impairment loss of goodwill	–	20,549
Cash (outflow)/inflow before working capital changes	(18,751)	148,949
Increase in advances to customers	(78,341)	(73,696)
Increase in debtors, deposits and prepayments	(408,963)	(245,514)
(Increase)/decrease in amounts due from joint ventures	(3,758)	336,343
Increase in amount due from an associate	(19,818)	–
Decrease/(increase) in trading securities	235,218	(486,653)
Increase in creditors, deposits received and accrued charges	353,832	131,355
Decrease/(increase) in amount due from an investee company	9,542	(18,660)
Increase in amount due to an investee company	79,579	–
Decrease in financial liability designated at fair value through profit or loss	–	(42,496)
Hong Kong profits tax refund/(paid)	6,664	(30,398)
Overseas profits tax paid	(110,759)	(261,273)
Interest paid	(106,752)	(62,222)
Net cash outflow from operating activities	(62,307)	(604,265)

40. 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.

Notes to the Financial Statements

40. Segment Information (continued)

(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

Notes to the Financial Statements

40. Segment Information (continued)

(a) Business segments (continued)

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

Notes to the Financial Statements

40. Segment Information (continued)

(a) Business segments (continued)

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
Amount due from investee companies									169,011
Amount due from 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 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

Notes to the Financial Statements

40. Segment Information (continued)

(a) Business segments (continued)

Other Information (continued)

As at 31 December 2012

	Primary Market Investment HK\$'000	Secondary Market Investment HK\$'000	Structured Financing & Investment HK\$'000	Strategic Investment & Treasury HK\$'000	Reportable segment total HK\$'000	All other segments HK\$'000	Sub-total HK\$'000	Eliminations HK\$'000	Total HK\$'000
Segment assets	4,833,233	1,424,415	5,034,555	8,266,284	19,558,487	1,792,250	21,350,737	(8,310)	21,342,427
Investments in associates									10,135,102
Investments in 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

Notes to the Financial Statements

40. Segment Information (continued)

(b) Geographical segments

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, 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 HK\$'000	Mainland China HK\$'000	Total HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	Total 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 HK\$'000	Mainland China HK\$'000	Total HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Specified non-current assets	1,062,943	10,918,113	11,981,056	1,027,750	10,125,530	11,153,280

41. Accounting Estimates and Judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Changes in assumptions may have a significant impact on the financial statements in the periods where the assumptions are changed. The application of assumptions and estimates means that any selection of different assumptions would cause the Group's reporting to differ. The Group believes that the assumptions that have been made are appropriate and that the financial statements therefore present the financial position and results fairly, in all material respects. Management has discussed with the Audit Committee the development, selection and disclosure of the Group's significant accounting policies and estimates and the application of these policies and estimates.

41. Accounting Estimates and Judgements (continued)

(a) Sources of estimation uncertainty

(i) *Unlisted investments*

The fair value of unlisted available-for-sale securities and other non-trading securities are significantly affected by the combination of valuation methodologies employed, the parameters used and, if required, the related comparable companies chosen. The valuation methodologies and the source of parameters adopted by the Group are discussed in note 38.

(ii) *Advances to customers*

Advances to customers are reviewed periodically to assess whether impairment losses exist. The Group makes judgement as to whether there is any objective evidence that an advance is impaired, i.e. whether there is a decrease in estimated future cash flows. If management has determined, based on their judgement, that objective evidence for impairment exists, expected future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of the current observable data. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss experience.

(iii) *Derivative instruments*

The Group has certain derivatives of which the fair value is determined by valuation models that involve significant unobservable inputs. A high degree of management judgement and estimation is required in determination of fair value. Note 38 contain information about the assumptions and the risk factors relating to valuation of derivatives where direct market prices are not available.

(iv) *Tax provision*

The Group's taxation provision is based on management's assessment of the estimated assessable profits for the year taking into consideration tax legislations in Hong Kong and the relevant overseas jurisdictions.

(b) Critical accounting judgements in applying the Group's accounting policies

(i) *Involvement with unconsolidated structured entities*

Disclosures of interests in unconsolidated structured entities provide information on involvement in these entities which exposes the Group to variability of returns from the performance of the other entity. Involvement is considered on a case-by-case basis, taking into account the nature of the entity's activity. This could include holding debt and equity instruments, or the provision of structured derivatives, but excludes involvement that exist only because of typical customer supplier relationships, such as market-making transactions to facilitate secondary trading or senior lending in the normal course of business.

42. Banking Facilities and Pledge of Assets

Aggregate banking facilities of the Group as at 31 December 2013 amounted to approximately HK\$5,874 million (2012: approximately HK\$2,509 million). The Group has utilised approximately HK\$4,536 million (2012: HK\$1,039 million) of these facilities.

As at 31 December 2013, fixed deposits of HK\$931,271,000 (2012: HK\$263,695,000) were pledged to secure banking facilities (note 23).

Pursuant to the prime brokerage agreements entered with the prime brokers of a fund held by the Group, cash and securities deposited with the prime brokers are secured against liabilities to the prime brokers. As at 31 December 2013, assets deposited with the prime brokers include HK\$453,414,000 (2012: HK\$494,147,000) and HK\$324,407,000 (2012: HK\$275,475,000) which form part of the Group trading securities and debtors respectively.

43. Non-adjusting Post-balance Sheet Events

Subsequent to 31 December 2013, several announcements were made by the Company to disclose information about the discloseable and connected transaction in relation to the disposal of certain A shares in Everbright Bank (the “Disposal”) and off-market share repurchase (the “Share Repurchase”) constituting connected transaction.

The Company announced that the completion of the Disposal and the Share Repurchase took place on 24 February 2014. All conditions precedent to the Disposal and the Share Repurchase had been fulfilled. Upon completion of the Disposal, 112,156,258 Everbright Bank shares were sold at the price of RMB2.48 per share, and therefore the total consideration of the Disposal is RMB278 million and the Company, through itself and its wholly owned subsidiary, is interested in 1,637,251,868 Everbright Bank Shares. Accordingly, the Group’s realised gain on disposal of these Everbright Bank shares is approximately HK\$252 million.

Upon completion of the Share Repurchase, the Company acquired its shares at the price of HK\$10.12 per share, which is the closing price of its shares as of 24 February 2014 in accordance with the terms of the repurchase contract. The shares repurchased have been cancelled after completion of the Share Repurchase and the number of the Company’s shares in issue following the cancellation of the Repurchase Shares was reduced from 1,720,099,712 to 1,685,253,712.

The Disposal and the Share Repurchase did not affect the Group’s financial position as of 31 December 2013.

44. Approval of Financial Statements

The financial statements on pages 73 to 151 were approved and authorised for issue by the Board of Directors on 31 March 2014.

45. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the year ended 31 December 2013

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, <i>Offsetting financial assets and financial liabilities</i>	1 January 2014
Amendments to HKAS 36, <i>Recoverable amount disclosures for non-financial assets</i>	1 January 2014
Amendments to HKFRS 10, <i>Consolidated financial statements</i> , HKFRS 12, <i>Disclosure of interests in other entities</i> and HKAS 27, <i>Separate financial statements</i> "Investment entities"	1 January 2014
HKFRS 9, <i>Financial instruments</i>	Unspecified
Annual Improvements to HKFRS 2010-2011 cycle	1 July 2014
Annual Improvements to HKFRS 2011-2013 cycle	1 July 2014

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Financial Summary

Results

	For the years ended				31.12.2013 HK\$'000
	31.12.2009 HK\$'000 (Restated)	31.12.2010 HK\$'000 (Restated)	31.12.2011 HK\$'000 (Restated)	31.12.2012 HK\$'000 (Restated)	
Turnover	3,556,973	2,214,071	3,089,975	4,050,657	8,157,205
Revenue	313,632	418,563	455,362	889,790	1,161,872
Operating profit after finance costs	223,396	1,342,033	901,382	1,412,858	1,556,452
Gain on deemed disposal of interest in an associate	3,175,642	–	–	–	–
Share of adjusted profits less losses of associates and joint ventures	1,348,374	829,919	617,584	168,701	243,188
Profit before taxation	4,747,412	2,171,952	1,518,966	1,581,559	1,799,640
Income tax	(68,189)	(112,805)	(184,964)	(213,837)	(51,742)
Profit after taxation before discontinued operations	4,679,223	2,059,147	1,334,002	1,367,722	1,747,898
Discontinued operations	79,362	107,810	522,447	–	–
Profit for the year	4,758,585	2,166,957	1,856,449	1,367,722	1,747,898
Attributable to:					
Equity shareholders of the Company	4,757,641	1,927,207	1,922,705	1,141,555	1,346,548
Non-controlling interests	944	239,750	(66,256)	226,167	401,350
	4,758,585	2,166,957	1,856,449	1,367,722	1,747,898
Earnings per share (HK\$)	2.99	1.19	1.116	0.663	0.783

Assets and Liabilities

	As at				31.12.2013 HK\$'000
	31.12.2009 HK\$'000	31.12.2010 HK\$'000	31.12.2011 HK\$'000	31.12.2012 HK\$'000	
Total assets	24,309,249	33,941,660	31,100,416	32,258,079	37,054,770
Total liabilities	(2,450,073)	(3,770,189)	(2,827,688)	(2,301,800)	(5,325,857)
Non-controlling interests	(873,999)	(2,030,848)	(1,807,391)	(1,844,277)	(3,024,926)
Shareholders' fund	20,985,177	28,140,623	26,465,337	28,112,002	28,703,987

Particulars of Major Properties

Location	Site area/Gross floor area	Tenure	Use
Hong Kong			
46th Floor, Far East Finance Centre, 16 Harcourt Road	Gross floor area of 10,800 sq. ft.	Government lease for 75 years from 23rd July 1980, renewable for another 75 years	Commercial
40th Floor, Far East Finance Centre, 16 Harcourt Road	Gross floor area of 10,800 sq. ft.	Government lease for 75 years from 23rd July 1980, renewable for another 75 years	Commercial
Flat A, 27/F, 1 Star Street, Wanchai	Gross floor area of 655 sq. ft.	Government lease for 75 years from 22nd August 1928 (extended for another 75 years)	Residential
Flat H, 6th Floor, Tower 10, South Horizons, Ap Lei Chau	Gross floor area of 1,096 sq. ft.	Government lease from 28th January 1988 to 31st March 2040	Residential
Flat G, 40th Floor and the Roof Terrace, Tower 17, South Horizons, Ap Lei Chau	Gross floor area of 2,195 sq. ft.	Government lease from 28th January 1988 to 31st March 2040	Residential
Flat H, 22nd Floor, Tower 21, South Horizons, Ap Lei Chau	Gross floor area of 1,107 sq. ft.	Government lease from 28th January 1988 to 31st March 2040	Residential
Car Parking Space Nos. 230 and 241 on Podium Level 1, Phase II, Car Parking Space No. 9 on Podium Level 2, Phase III, South Horizons, Ap Lei Chau	Not applicable	Government lease from 28th January 1988 to 31st March 2040	Carpark
Mainland China			
Units 1-17, 8th Floor, Industrial Bank Building, 4013 Shennan Road, Futian District, Shenzhen	Gross floor area of 1,241.25 sq.m.	Land use right for 50 years from 27th December 2000	Commercial
Unit 1300, Level 13, China Overseas International Center, 28 Ping'anli West Street, Xicheng District, Beijing	Gross floor area of 1,474.42 sq.m.	Land use right for 50 years from 7th March 2004	Commercial
Level 25, 21 Century Center, No. 210 Century Road, Pudong New District, Shanghai	Gross floor area of 1,976.23 sq.m.	Land use right for 50 years from 25th February 1997	Commercial

Corporate Information

Board of Directors

Tang Shuangning	Chairman
Zang Qiutao	Deputy Chairman
Chen Shuang	Chief Executive Officer
Tang Chi Chun, Richard	Chief Financial Officer
Jiang Yuanzhi	Chief Investment Officer
Wang Weimin [#]	
Seto Gin Chung, John [*]	
Lin Zhijun [*]	
Chung Shui Ming, Timpson [*]	

[#] Non-executive Director

^{*} Independent Non-executive Directors

Company Secretary

Chan Ming Kin, Desmond

Registered Office

46th Floor

Far East Finance Centre

16 Harcourt Road

Hong Kong

Principal Bankers

China Everbright Bank Company Limited

Industrial and Commercial Bank of China (Asia) Limited

China Construction Bank (Asia) Corporation Limited

Bank of Communications Company, Limited

Shanghai Pudong Development Bank Company, Limited

Standard Chartered Bank (Hong Kong) Limited

The Bank of East Asia, Limited

Legal Advisors

Grandall Legal Group (Shanghai) Office

Share Registrars

Tricor Secretaries Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

Auditors

KPMG

Website Address

<http://www.everbright165.com>

Investor Relations Contact

ir@everbright165.com

Stock Code: 165



www.everbright165.com



China Everbright Limited

46/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Tel: (852) 2528 9882 Fax: (852) 2529 0177