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CHINA EVERBRIGHT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 165)

ANNOUNCEMENT

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the “Board”) of China Everbright Limited (the “Company”) is pleased to announce that the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2015 together with relevant comparative figures for the previous year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Continuing operations			
Turnover	3	10,411,567	6,622,673
Operating income	3	2,131,905	1,687,610
Other net income	3	807,197	1,312,332
Staff costs		(361,783)	(274,362)
Depreciation expenses		(22,281)	(21,973)
Impairment loss on available-for-sale securities		(407,778)	(191,374)
Impairment loss on amount due from an investee company		–	(12,125)
Impairment loss on debtors, deposits and prepayments		–	(154,000)
Impairment loss on finance lease receivables		(196,295)	–
Other operating expenses		(456,174)	(547,424)
Profit from operations		1,494,791	1,798,684
Finance costs		(336,947)	(220,712)
Share of profits less losses of associates, as per the associates' financial statements	8(b)	3,205,139	1,068,934
Share of profits less losses of joint ventures, as per the joint ventures' financial statements	9(b)	(7,702)	152,222
Net gain on deemed disposal of interest in associates	8(b)	1,304,042	–
Gain on deemed disposal of interest in a joint venture		–	139,654
Adjustments to share of profits less losses to conform with the Group's accounting policies	1	58,000	33,385
Profit before taxation		5,717,323	2,972,167
Income tax	4	(452,449)	(88,896)
Profit from continuing operations		5,264,874	2,883,271
Discontinued operations			
Profit from disposal group held for sale	5	56,423	–
Profit for the year		5,321,297	2,883,271

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
Profit attributable to equity shareholders of the Company			
Continuing operations		5,087,571	2,559,688
Discontinued operations		56,423	–
		<u>5,143,994</u>	<u>2,559,688</u>
Non-controlling interests		177,303	323,583
		<u>5,321,297</u>	<u>2,883,271</u>
Profit for the year			
Basic and diluted earnings per share	7		
Continuing operations		HK\$3.019	HK\$1.514
Discontinued operations		HK\$0.033	–
		<u>HK\$3.052</u>	<u>HK\$1.514</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
Profit for the year		5,321,297	2,883,271
Other comprehensive income for the year (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss			
– Net movement in investment revaluation reserve of available-for-sale securities		1,733,558	5,003,018
– Share of other comprehensive income of associates, as per the associates' financial statements		(316,245)	442,948
– Share of other comprehensive income of joint ventures, as per the joint ventures' financial statements		67,284	(1,410)
– Adjustments to share of other comprehensive income of associates and joint ventures to conform with the Group's accounting policies	<i>1</i>	(15,000)	(172,549)
– Exchange reserve		(984,731)	(292,932)
		<u>484,866</u>	<u>4,979,075</u>
Total comprehensive income for the year		<u>5,806,163</u>	<u>7,862,346</u>
Attributable to:			
Equity shareholders of the Company		5,369,482	7,220,633
Non-controlling interests		436,681	641,713
Total comprehensive income for the year		<u>5,806,163</u>	<u>7,862,346</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

		31 December 2015	31 December 2014
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		558,034	565,022
Amount due from an associate		18,448	–
Amounts due from investee companies	<i>11</i>	294,147	523,070
Investments in associates	<i>8(a)</i>	15,948,829	12,459,124
Investments in joint ventures	<i>9(a)</i>	625,047	574,328
Available-for-sale securities	<i>10</i>	21,753,331	19,008,521
Financial assets designated at fair value through profit or loss	<i>11</i>	8,881,584	7,102,424
Advances to customers	<i>12</i>	1,438,883	782,334
Finance lease receivables		62,314	–
		49,580,617	41,014,823
Current assets			
Financial assets designated at fair value through profit or loss	<i>11</i>	2,879,223	468,938
Advances to customers	<i>12</i>	2,651,101	4,109,403
Finance lease receivables		38,620	–
Amount due from an associate		16	19,321
Amounts due from joint ventures		6,839	3,995
Debtors, deposits and prepayments	<i>13</i>	1,451,643	1,194,684
Trading securities		1,070,292	1,357,918
Cash and cash equivalents		4,688,256	4,465,289
		12,785,990	11,619,548
Assets classified as held for sale	<i>5</i>	2,914,436	–
		15,700,426	11,619,548
Current liabilities			
Amount due to an investee company	<i>11</i>	(238,800)	(78,969)
Amount due to a joint venture		(427)	(494)
Trading securities		(239,144)	(327,637)
Bank loans	<i>14</i>	(3,170,845)	(4,996,065)
Amount due to a fellow subsidiary and shareholder	<i>15</i>	(1,000,000)	(500,000)
Creditors, deposits received and accrued charges	<i>16</i>	(1,327,476)	(1,025,892)
Other financial liabilities		(3,038,933)	(3,234,796)
Notes payable		(57,000)	(27,000)
Provision for taxation		(331,057)	(207,078)
		(9,403,682)	(10,397,931)
Liabilities classified as held for sale	<i>5</i>	(1,111,658)	–
		(10,515,340)	(10,397,931)

		31 December 2015	31 December 2014
	<i>Notes</i>	HK\$'000	HK\$'000
Net current assets		<u>5,185,086</u>	<u>1,221,617</u>
Total assets less current liabilities		<u>54,765,703</u>	<u>42,236,440</u>
Non-current liabilities			
Bank loans	<i>14</i>	(10,283,111)	(3,589,936)
Other financial liabilities		(513,798)	–
Notes payable		–	(30,000)
Deferred tax liabilities		(1,021,285)	(425,918)
		<u>(11,818,194)</u>	<u>(4,045,854)</u>
NET ASSETS		<u>42,947,509</u>	<u>38,190,586</u>
CAPITAL AND RESERVES			
Share capital	<i>17</i>	9,618,097	9,618,097
Reserves		29,748,068	25,356,033
Total equity attributable to equity shareholders of the Company		39,366,165	34,974,130
Non-controlling interests		<u>3,581,344</u>	<u>3,216,456</u>
TOTAL EQUITY		<u>42,947,509</u>	<u>38,190,586</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	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			
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
As at 1 January 2014		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
Net investment by non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	(450,183)	(450,183)
Transfer of available-for-sale securities by the Company to Social Security Fund		-	-	-	(5,895)	-	-	-	-	(2,115)	(8,010)	-	(8,010)
Share repurchased		(34,846)	-	-	-	34,846	-	-	-	(352,641)	(352,641)	-	(352,641)
Transition to no-par value regime on 3 March 2014		7,932,843	(7,890,967)	-	-	(41,876)	-	-	-	-	-	-	-
Dividend paid	6	-	-	-	-	-	-	-	-	(589,839)	(589,839)	-	(589,839)
Profit for the year		-	-	-	-	-	-	-	-	2,559,688	2,559,688	323,583	2,883,271
Other comprehensive income for the year		-	-	-	4,952,575	-	-	-	(291,630)	-	4,660,945	318,130	4,979,075
As at 31 December 2014 and 1 January 2015		9,618,097	-	1,242	10,105,489	-	(668,499)	182,900	1,735,377	13,999,524	34,974,130	3,216,456	38,190,586
Net investment by non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	(71,793)	(71,793)
Dividend paid	6	-	-	-	-	-	-	-	-	(977,447)	(977,447)	-	(977,447)
Profit for the year		-	-	-	-	-	-	-	-	5,143,994	5,143,994	177,303	5,321,297
Other comprehensive income for the year		-	-	-	1,581,350	-	-	(442,240)	(913,622)	-	225,488	259,378	484,866
As at 31 December 2015		<u>9,618,097</u>	<u>-</u>	<u>1,242</u>	<u>11,686,839</u>	<u>-</u>	<u>(668,499)</u>	<u>(259,340)</u>	<u>821,755</u>	<u>18,166,071</u>	<u>39,366,165</u>	<u>3,581,344</u>	<u>42,947,509</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	945,628	(2,982,224)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(16,595)	(6,650)
Proceeds from partial disposal of a joint venture	–	31,263
Decrease in deposits pledged	722,734	208,537
Purchase of available-for-sale securities	(3,293,738)	(2,657,426)
Purchase of financial assets designated at fair value through profit or loss	(6,997,526)	(3,937,566)
(Decrease)/increase in other financial liabilities	(255,176)	3,102,639
Investment in an associate	(824)	(58,773)
Proceeds from losing control of subsidiaries	164,114	407,494
Proceeds from acquisition of subsidiaries net of cash acquired	–	77,877
Purchase of disposal group held for sale	(1,392,523)	–
Loan to disposal group held for sale	(310,040)	–
Investment in joint ventures	(9,244)	(182,952)
Proceeds from disposal of available-for-sale securities	2,464,240	1,627,578
Proceeds from disposal of financial assets designated at fair value through profit or loss	3,022,980	271,006
Proceeds from disposal of an associate	5,970	–
Bank interest received	44,280	51,458
Dividend from investments in securities	887,203	665,112
Dividend from associates	155,365	28,402
Dividend from a joint venture	–	30,450
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(4,808,780)	(341,551)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	(3,863,152)	(3,323,775)

	2015	2014
	HK\$'000	HK\$'000
FINANCING ACTIVITIES		
Issue of shares in subsidiaries to non-controlling shareholders	508,645	456,597
Redemption of shares by non-controlling shareholders	–	(9,914)
Shares repurchased	–	(352,641)
Proceeds from bank loans	10,701,805	8,839,297
Proceeds from loan from a fellow subsidiary and shareholder	500,000	–
Proceeds from notes payable	–	10,000
Repayment of bank loans	(5,833,850)	(3,348,233)
Dividend paid to non-controlling shareholders	(52,418)	(734,453)
Dividends paid	(977,447)	(589,839)
	<hr/>	<hr/>
NET CASH INFLOW FROM FINANCING ACTIVITIES	4,846,735	4,270,814
NET INCREASE IN CASH AND CASH EQUIVALENTS	983,583	947,039
CASH AND CASH EQUIVALENTS		
Beginning of year	3,742,555	2,833,707
Exchange rate adjustments	(37,882)	(38,191)
	<hr/>	<hr/>
End of year	4,688,256	3,742,555
	<hr/>	<hr/>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash – general accounts	4,688,256	4,465,289
Deposits pledged	–	(722,734)
	<hr/>	<hr/>
End of year	4,688,256	3,742,555
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The financial report, which has been reviewed by the Company's Audit and Risk Management Committee, is prepared on a basis consistent with the accounting policies and methods adopted in the 2014 annual financial statements except for the changes in accounting policies described in note 2.

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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.

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 statement of profit or loss and consolidated statement of comprehensive income.

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

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

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

2. CHANGES IN ACCOUNTING POLICIES

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

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

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:

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards, with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3. TURNOVER, OPERATING INCOME AND OTHER NET INCOME

Turnover from operations represents the aggregate of service fee income, interest income, dividend income, gross rental income, rental income from finance lease 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:

	2015 HK\$'000	2014 HK\$'000
Operating income		
Consultancy and management fee income	555,204	409,860
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	44,280	51,458
– advances to customers	400,908	350,404
– unlisted debt securities	153,813	52,335
Dividend income		
– listed investments	400,491	399,185
– unlisted investments	439,833	316,606
Net realised gain/(loss) on trading securities		
– equity securities	183,196	59,449
– debt securities	6,771	2,603
– derivatives	(6,212)	5,394
Net unrealised gain/(loss) on trading securities		
– equity securities	(67,123)	55,683
– debt securities	(1,035)	(22,653)
– derivatives	4,264	1,930
Gross rental income	6,396	5,356
Rental income from finance lease	11,119	–
	<u>2,131,905</u>	<u>1,687,610</u>
Other net income		
Net realised gain on disposal of available-for-sale securities	513,432	519,698
Net realised gain on disposal of financial assets designated at fair value through profit or loss	873,343	32,474
Net unrealised (loss)/gain on financial assets designated at fair value through profit or loss	(591,672)	685,366
Gain on losing control of subsidiaries	33	818
Reversal of impairment loss on debtors, deposits and prepayments	36,018	–
Reversal of impairment loss on amount due from an investee company	4,398	–
Realised gain on disposal of an associate	1,286	–
Realised gain on disposal of a joint venture	2,537	–
Net exchange (loss)/gain	(86,009)	285
Net (deficit)/surplus on revaluation of investment properties	(600)	5,500
Others	54,431	68,191
	<u>807,197</u>	<u>1,312,332</u>

4. INCOME TAX

The provision for Hong Kong profits tax is calculated at 16.5% (2014: 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 statement of profit or loss represents:

	2015	2014
	HK\$'000	HK\$'000
Continuing operations		
Current taxation		
– Hong Kong profits tax	(17,501)	(19,078)
– Overseas taxation	(482,612)	(122,343)
– Over provision in respect of Hong Kong profits tax in prior years	152,560	102,905
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	(104,896)	(50,380)
Income tax	<u>(452,449)</u>	<u>(88,896)</u>

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

	2015	2014
	HK\$'000	HK\$'000
Continuing operations		
Profit before taxation	<u>5,717,323</u>	<u>2,972,167</u>
Calculated at the rates applicable to profits in the tax jurisdictions concerned	1,413,607	643,718
Tax effect of income not subject to taxation	(1,230,999)	(597,548)
Tax effect of expenses not deductible for taxation purpose	338,040	95,212
Tax effect of utilisation of previously unrecognised losses	(14,671)	(2,266)
Tax effect of tax losses and other deductible temporary differences not recognised	99,032	52,685
Over provision in respect of prior years	(152,560)	(102,905)
Income tax	<u>452,449</u>	<u>88,896</u>

5. DISCONTINUED OPERATIONS

On 9 March 2015 and 6 November 2015, the Group acquired 97.85% equity interest in Burke E. Porter Machinery Company and its subsidiaries (“BEP”) and 59% equity interest in Lapmaster Group Holdings, LLC and its subsidiaries (“Lapmaster”), with a view to hold them for resale within one year.

In order to capitalise on opportunities accorded to Chinese enterprises venturing overseas, the Group, through its subsidiaries, has established and sponsored an investment fund, known as the CEL Global Investment Fund, L.P. (the “Global Investment Fund”). The Group intends to transfer its equity interests in BEP and Lapmaster to the Global Investment Fund. The relevant equity interests held in BEP and Lapmaster meet the criteria to be classified as held for sale on acquisition in accordance with HKFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

BEP is headquartered in the State of Michigan, USA. The principal activities are design, manufacturing, and distribution of automotive testing equipment and manufacture precision machined products for the worldwide automotive manufacturing market.

Lapmaster is headquartered in Chicago, USA. Lapmaster is a developer and manufacturer for highly engineered precision surface finishing equipment and consumables with global presence.

BEP and Lapmaster are classified as disposal group held for sale. A single amount is presented on the face of the Group’s consolidated statement of profit or loss, which comprises the post-tax profit or loss of the disposal group and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the disposal group constituting the discontinued operations (if any). The aggregate balances of assets and liabilities of the disposal group have been presented in the Group’s consolidated statement of financial position as assets classified as held for sale and liabilities classified as held for sale respectively.

As at 31 December 2015, the Group provided a revolving loan of US\$12,000,000 and a term loan of US\$28,000,000 to BEP and Lapmaster respectively. The loans are interest bearing and have fixed repayment terms.

6. DIVIDENDS

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

	2015 HK\$'000	2014 HK\$'000
– Interim dividend declared and paid of HK\$0.25 (2014: HK\$0.15) per share	421,313	252,788
– Final dividend proposed after the end of the reporting period date of HK\$0.5 (2014: HK\$0.33) per share	<u>842,627</u>	<u>556,134</u>
	<u>1,263,940</u>	<u>808,922</u>

The directors proposed a final dividend of HK\$0.5 per share for the year ended 31 December 2015 (2014: HK\$0.33 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

	2015 HK\$'000	2014 HK\$'000
– Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.33 (2014: HK\$0.20) per share	<u>556,134</u>	<u>337,051</u>

7. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the year ended 31 December 2015 is based on the profit attributable to equity shareholders of the Company for continuing and discontinued operations of HK\$5,087,571,000 and HK\$56,423,000, respectively, (2014 for continuing operations: HK\$2,559,688,000) and the weighted average number of 1,685,253,712 shares (2014: 1,690,409,011 shares) in issue during the year.

8. INVESTMENTS IN ASSOCIATES

(a) Investments in associates

	2015 HK\$'000	2014 HK\$'000
Share of net assets	16,878,305	13,388,600
Goodwill on acquisition	<u>(591,037)</u>	<u>(591,037)</u>
	16,287,268	12,797,563
Less: impairment loss	<u>(338,439)</u>	<u>(338,439)</u>
	<u>15,948,829</u>	<u>12,459,124</u>
Market value of shares listed in mainland China	31,204,468	40,659,001
Market value of shares listed in Hong Kong	<u>1,661,116</u>	<u>2,355,426</u>

(b) As at 31 December 2015, 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)	29.16% (note 2)
Everbright Securities (International) Limited	British Virgin Islands	Securities operations (note 1)	49%*
China Aircraft Leasing Group Holdings Limited ("CALGH")	Cayman Islands	Investment holding (note 3)	34.27%** (note 4)
首譽光控資產管理有限公司	The PRC	Assets management (note 5)	35%**
重慶融科光控實業發展有限公司	The PRC	Investment holding (note 6)	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 mainland China and Hong Kong.

Note 2: The Group's equity interest was diluted from 33.33% to 29.16% during the year due to the non-public share issuance of Everbright Securities. Accordingly, a gain on deemed disposal of interest in an associate amounted to HK\$1,324,545,000 was credited to the consolidated statement of profit or loss.

Note 3: CALGH is an associate of the Group to capture multiple opportunities along the aircraft value chain arising from the rapid growth of aviation industry. CALGH's lease offerings are complemented by fleet planning consultation, structured leasing, aircraft trading and re-marketing and aircraft disassembly.

Note 4: The Group's equity interest was diluted from 35.33% to 34.27% during the year due to the exercise of share options by investors of CALGH. Accordingly, a loss on deemed disposal of interest in an associate amounted to HK\$20,503,000 was charged to the consolidated statement of profit or loss.

Note 5: 首譽光控資產管理有限公司 is one of the Group's assets management companies.

Note 6: 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 2015, Everbright Securities has recorded an after tax profit of RMB7.75 billion (2014: RMB2.14 billion) and the Group's share of profit as per the associate's financial statements, under equity accounting method, amounted to HK\$3,037 million (2014: HK\$870 million). In addition to the remaining 49% stake of Everbright Securities (International) Limited, the Group is entitled to the result through its 29.16% share of Everbright Securities, which has a 51% stake in Everbright Securities (International) Limited.

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

9. INVESTMENTS IN JOINT VENTURES

(a) Investments in joint ventures

	2015 HK\$'000	2014 HK\$'000
Carrying value, net	<u>625,047</u>	<u>574,328</u>

(b) As at 31 December 2015, details of the Group's investments in joint ventures are mainly 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 Guolian Capital Company Limited	The PRC	Venture capital and investment advisory (<i>note 1</i>)	RMB320,000,000	50.0%*
山東高速光控產業投資基金管理有限公司	The PRC	Fund management (<i>note 2</i>)	RMB200,000,000	48.0%*
上海嘉寶安石置業有限公司	The PRC	Real estate development and leasing (<i>note 3</i>)	RMB294,300,000	30.8%*

* Held indirectly

Note 1: Everbright Guolian Capital Company Limited is a joint venture of the Group to provide investment advisory services to a joint venture fund in mainland China.

Note 2: 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 sector investment fund in mainland China.

Note 3: 上海嘉寶安石置業有限公司 is a joint venture of the Group to invest in real estate development and leasing sectors in mainland China. The Group's equity interest was increased from 28.8% to 30.8% during the year.

All of the above joint ventures are unlisted corporate entities whose quoted market price was not available as at 31 December 2015. They are accounted for using the equity method in the consolidated financial statements.

10. AVAILABLE-FOR-SALE SECURITIES

	2015 HK\$'000	2014 HK\$'000
At fair value:		
Listed equity securities		
– in Hong Kong	1,114,861	343,691
– outside Hong Kong	14,079,422	11,039,415
Unlisted equity securities/collective investment schemes		
– in Hong Kong	17,148	428,511
– outside Hong Kong	5,658,476	5,940,378
Listed debt securities		
– in Hong Kong	5,636	575,308
– outside Hong Kong	90,951	99,316
Unlisted debt securities	241,474	61,558
At cost ⁽ⁱ⁾ :		
Unlisted equity securities	545,363	520,344
	<u>21,753,331</u>	<u>19,008,521</u>

- (i) At 31 December 2015, 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.

The Group's investment in listed equity securities with fair values of HK\$416,136,000, HK\$2,816,286,000, HK\$107,280,000 and HK\$836,131,000 are subject to a lock-up provision which restricted the Group from selling the equity securities on or before 22 April 2016, 29 December 2016, 29 December 2016 and 19 May 2018 respectively.

The Group held the following principal available-for-sale securities as at 31 December 2015:

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	3.37%

- (i) At 31 December 2015, the carrying value of interests in Everbright Bank exceeded 10% of total assets of the Group.

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

	2015 HK\$'000	2014 HK\$'000
Non-current assets		
At fair value:		
Listed equity securities		
– in Hong Kong	82,945	41,955
– outside Hong Kong	1,733,860	2,000,993
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	4,658,166	3,279,147
Unlisted convertible preference shares – outside Hong Kong	939,183	1,237,976
Unlisted debt securities – outside Hong Kong	1,467,430	542,353
	<u>8,881,584</u>	<u>7,102,424</u>
Current assets		
At fair value:		
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	2,494,863	468,938
Unlisted debt securities and derivatives – outside Hong Kong	384,360	–
	<u>2,879,223</u>	<u>468,938</u>

As at 31 December 2015, the Group's listed and unlisted equity securities amounting to a fair value of HK\$6,302,378,000 (2014: HK\$4,464,874,000) were investments in associates and joint ventures. The Group was exempted from applying the equity method to these investments and they were recognised as financial assets designated at fair value through profit or loss.

As at 31 December 2015, balances of HK\$294,147,000 (2014: HK\$523,070,000) were due from these investee companies, which were associates recognised as financial assets designated at fair value through profit or loss. The amounts due from these investee companies are unsecured, interest free and have no fixed terms of repayment.

As at 31 December 2015, a balance of HK\$238,800,000 was due to an investee company which was recognised as financial assets designated at fair value through profit or loss. The amount due to an investee company is unsecured, interest free and has no fixed terms of prepayment.

12. ADVANCES TO CUSTOMERS

	2015 HK\$'000	2014 HK\$'000
Non-current assets		
Term loans to customers		
– secured	730,609	194,478
– unsecured	708,274	587,856
	<u>1,438,883</u>	<u>782,334</u>
Current assets		
Term loans to customers		
– secured	2,612,346	2,641,242
– unsecured	38,755	1,468,161
	<u>2,651,101</u>	<u>4,109,403</u>

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

An aging analysis of advances to customers is as follows:

	2015 HK\$'000	2014 HK\$'000
Within 3 months	1,514,656	1,313,025
Over 3 months to 1 year	1,136,445	2,796,378
Over 1 year to 5 years	1,438,883	782,334
	<u>4,089,984</u>	<u>4,891,737</u>

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	2015 HK\$'000	2014 HK\$'000
Accounts receivable, net	880,445	935,518
Deposits, prepayments, interest and other receivables	<u>571,198</u>	<u>470,166</u>
	1,451,643	1,405,684
Less: Allowance of doubtful debt	<u>–</u>	<u>(211,000)</u>
	<u>1,451,643</u>	<u>1,194,684</u>

Accounts receivable are mainly amounts due from brokers, collectable in cash within one year and divestment proceeds receivable.

As at 31 December 2014, the Group's receivable of HK\$426,432,000 was individually determined to be impaired.

14. BANK LOANS

As at 31 December 2015, the bank loans were repayable as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 year	<u>3,170,845</u>	<u>4,996,065</u>
After 1 year but within 5 years	10,283,111	3,538,285
After 5 years	<u>–</u>	<u>51,651</u>
	10,283,111	3,589,936
	<u>13,453,956</u>	<u>8,586,001</u>

As at 31 December 2015, the bank loans were secured as follows:

	2015 HK\$'000	2014 HK\$'000
Bank loans		
– secured	42,060	927,001
– unsecured	<u>13,411,896</u>	<u>7,659,000</u>
	<u>13,453,956</u>	<u>8,586,001</u>

As at 31 December 2015, the bank loan of the Group of HK\$42,060,000 was secured by property situated in mainland China.

As at 31 December 2014, the bank loans of the Group of HK\$927,001,000 were secured by fixed deposits and property situated in mainland China.

15. AMOUNT DUE TO A FELLOW SUBSIDIARY AND SHAREHOLDER

Amount due to an entity that is a fellow subsidiary and shareholder of the Company is unsecured, interest-bearing and has fixed repayment terms.

16. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2015 HK\$'000	2014 HK\$'000
Creditors, deposits received and accrued charges	<u>1,327,476</u>	<u>1,025,892</u>

As at 31 December 2015, creditors, deposits received and accrued charges included bonus payable to staff.

17. SHARE CAPITAL

	2015		2014	
	No. of shares (‘000)	HK\$'000	No. of shares (‘000)	HK\$'000
Ordinary shares issued and fully paid:				
At 1 January	1,685,254	9,618,097	1,720,100	1,720,100
Shares repurchased	–	–	(34,846)	(34,846)
Transition to no-par value regime on 3 March 2014 (<i>note</i>)	–	–	–	7,932,843
At 31 December	<u>1,685,254</u>	<u>9,618,097</u>	<u>1,685,254</u>	<u>9,618,097</u>

Note: The transition to the no-par value regime under the Hong Kong Companies Ordinance occurred automatically on 3 March 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Ordinance.

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

18. MATURITY PROFILE

As at 31 December 2015

	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	-	228,937	1,285,719	1,136,445	1,438,883	-	4,089,984
- Finance lease receivables	-	-	9,453	29,167	62,314	-	100,934
- Trading securities	595,419	-	466,198	8,675	-	-	1,070,292
- Available-for-sale securities	21,622,813	-	-	-	130,518	-	21,753,331
- Financial assets designated at fair value through profit or loss	6,836,743	-	967,140	1,912,083	2,044,841	-	11,760,807
- Cash and cash equivalents	-	3,129,784	1,558,472	-	-	-	4,688,256
	<u>29,054,975</u>	<u>3,358,721</u>	<u>4,286,982</u>	<u>3,086,370</u>	<u>3,676,556</u>	<u>-</u>	<u>43,463,604</u>
Liabilities							
- Bank loans	-	-	-	(3,170,845)	(10,283,111)	-	(13,453,956)
- Amount due to a fellow subsidiary and shareholder	-	-	(1,000,000)	-	-	-	(1,000,000)
- Other financial liabilities	-	(3,038,933)	-	-	(457,371)	(56,427)	(3,552,731)
- Trading securities	(175,857)	-	(63,287)	-	-	-	(239,144)
- Notes payable	-	(27,000)	-	(30,000)	-	-	(57,000)
	<u>(175,857)</u>	<u>(3,065,933)</u>	<u>(1,063,287)</u>	<u>(3,200,845)</u>	<u>(10,740,482)</u>	<u>(56,427)</u>	<u>(18,302,831)</u>

As at 31 December 2014

	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	-	-	1,313,025	2,796,378	782,334	-	4,891,737
- Trading securities	960,313	-	389,275	8,330	-	-	1,357,918
- Available-for-sale securities	18,842,421	-	-	-	149,715	16,385	19,008,521
- Financial assets designated at fair value through profit or loss	6,560,071	-	-	468,938	542,353	-	7,571,362
- Cash and cash equivalents	-	2,116,974	2,348,315	-	-	-	4,465,289
	<u>26,362,805</u>	<u>2,116,974</u>	<u>4,050,615</u>	<u>3,273,646</u>	<u>1,474,402</u>	<u>16,385</u>	<u>37,294,827</u>
Liabilities							
- Bank loans	-	-	(1,538,670)	(3,457,395)	(3,538,285)	(51,651)	(8,586,001)
- Amount due to a fellow subsidiary and shareholder	-	-	(500,000)	-	-	-	(500,000)
- Other financial liabilities	-	(3,234,796)	-	-	-	-	(3,234,796)
- Trading securities	(327,637)	-	-	-	-	-	(327,637)
- Notes payable	-	(27,000)	-	-	(30,000)	-	(57,000)
	<u>(327,637)</u>	<u>(3,261,796)</u>	<u>(2,038,670)</u>	<u>(3,457,395)</u>	<u>(3,568,285)</u>	<u>(51,651)</u>	<u>(12,705,434)</u>

19. SEGMENT INFORMATION

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

Fund Management Business

Fund management business refers that the Group raises funds from specific clients, applies its knowledge and experience to make investment decisions on the capital raised from external investors and the seed capital from the Group, according to laws, regulations and the fund's prospectus, while seeking to maximise gains for investors. The fund management business is comprised of primary market investment, secondary market investment, mezzanine funds and Everbright Prestige.

- Primary market investment includes:
 - 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 through other exit channels;
 - Venture capital funds – invest primarily in companies at the start-up and development stage, or companies which are still in the business planning stage. The investment goal is to achieve a higher return assuming manageable and higher risk by providing investee companies with assistance in investment, financing, management and listing in order to enhance the development of such companies; and
 - Sector focus funds – focus specifically on long-term equity investment in specific industries or merger and acquisition opportunities. The investment areas include real estate, infrastructure, medical and healthcare, resources assets (including low carbon and new energy industries), as well as merger and acquisition opportunities.
- Secondary market investment – provides a diversified range of financial services, including asset management, investment management and investment advisory activities. Products include absolute return funds, bond funds and equity funds.
- Mezzanine funds – focus on private equity investment, pre-IPO financing and structured financing for listed companies and major shareholders of listed companies. It uses foreign currencies and/ or renminbi flexibly to fulfill the onshore and offshore financial needs of its target companies. The investment team follows clear, uncomplicated investment philosophies by adopting a conservative, diversified and flexible investment approach that aims for above-market returns on investment with below-average levels of business risk.
- Everbright Prestige – Everbright Prestige engages in asset management for specific clients and other business activities authorised by the China Securities Regulatory Commission. The business provides advisory services directly to specific customers including Qualified Foreign Institutional Investors, onshore insurance companies and other institutions which are set up and operated according to the law. Everbright Prestige has become an important carrier and business platform for the Group's asset management business in mainland China, demonstrating its value in four areas including AUM contribution, product creation and design, distribution channels and client consolidation, and the creation of more "Everbright" synergy.

Principal Investment

The Group fully utilises its proprietary capital to achieve three goals: (1) nurturing investment teams and developing high quality financial products to support fund management; (2) investing in funds or products to maximise returns within controlled risk levels and contribute to steady long-term revenue, (3) improving cash flow by treasury management.

Strategic Investment

This represents strategic investment in Everbright Securities and Everbright Bank.

Other segments

Those which do not meet the threshold to be reportable and include the Group's investment in properties and certain financial assets and liabilities generated from corporate investments.

(a) Business segments

For the year ended 31 December 2015:

	Continuing operations										Discontinued operations	Total HK\$'000
	Fund Management Business										Principal Investment HK\$'000	
	Primary Market HK\$'000	Secondary Market HK\$'000	Mezzanine Fund HK\$'000	Everbright Prestige HK\$'000	Principal Investment HK\$'000	Strategic Investment HK\$'000	Reportable segments total HK\$'000	All other segments HK\$'000	Sub-total HK\$'000			
REVENUE												
Operating income from external customers	585,852	205,964	24,874	-	944,449	365,720	2,126,859	5,046	2,131,905	-	-	2,131,905
Other net income from external customers	834,574	(6,989)	-	-	(62,798)	87,978	852,765	(45,568)	807,197	-	-	807,197
Total operating income and other net income	1,420,426	198,975	24,874	-	881,651	453,698	2,979,624	(40,522)	2,939,102	-	-	2,939,102
RESULTS AND RECONCILIATION OF SEGMENT RESULTS												
Segment results before non-controlling interests	927,501	118,423	18,028	(1,769)	184,996	444,247	1,691,426	(44,511)	1,646,915	56,423	-	1,703,338
Unallocated head office and corporate expenses												(489,071)
Share of profits less losses of associates, as per the associates' financial statements	(36,650)	-	-	29,546	136,434	3,075,809	3,205,139	-	3,205,139	-	-	3,205,139
Share of profits less losses of joint ventures, as per the joint ventures' financial statements	(7,702)	-	-	-	-	-	(7,702)	-	(7,702)	-	-	(7,702)
Net gain on deemed disposal of interest in associates	-	-	-	-	(20,503)	1,324,545	1,304,042	-	1,304,042	-	-	1,304,042
Adjustments to share of profit less losses to conform with the Group's accounting policies	42,000	-	-	-	-	16,000	58,000	-	58,000	-	-	58,000
Profit before taxation												<u>5,773,746</u>
Less: non-controlling interests	(188,294)	3,586	(3,757)	-	10,977	-	(177,488)	185	(177,303)	-	-	
Segment results	<u>736,855</u>	<u>122,009</u>	<u>14,271</u>	<u>27,777</u>	<u>311,904</u>	<u>4,860,601</u>	<u>6,073,417</u>	<u>(44,326)</u>	<u>6,029,091</u>	<u>56,423</u>	-	
Interest Income	55,891	20,872	1,877	-	521,710	-	600,350	(1,349)	599,001	-	-	599,001
Finance costs	898	5,342	-	-	80,775	-	87,015	249,932	336,947	-	-	336,947
Depreciation expenses	1,455	1,630	7	-	3,363	-	6,455	15,826	22,281	-	-	22,281
Impairment loss on available-for-sale securities	197,083	-	-	-	210,695	-	407,778	-	407,778	-	-	407,778

For the year ended 31 December 2014 (Restated):

	Fund Management Business								Total HK\$'000
	Primary Market HK\$'000	Secondary Market HK\$'000	Mezzanine Fund HK\$'000	Everbright Prestige HK\$'000	Principal Investment HK\$'000	Strategic Investment HK\$'000	Reportable segment total HK\$'000	All other segments HK\$'000	
REVENUE									
Operating income from external customers	596,757	157,621	43,304	-	499,737	353,714	1,651,133	36,477	1,687,610
Other net income from external customers	877,560	800	-	-	165,252	251,802	1,295,414	16,918	1,312,332
Total operating income and other net income	1,474,317	158,421	43,304	-	664,989	605,516	2,946,547	53,395	2,999,942
RESULTS AND RECONCILIATION OF SEGMENT RESULTS									
Segment results before non-controlling interests	938,353	46,576	30,584	-	193,589	599,505	1,808,607	53,396	1,862,003
Unallocated head office and corporate expenses									(284,031)
Share of profits less losses of associates, as per the associates' financial statements	83,693	-	-	11,755	84,813	888,673	1,068,934	-	1,068,934
Share of profits less losses of joint ventures, as per the joint ventures' financial statements	114,785	-	-	-	37,437	-	152,222	-	152,222
Gain on deemed disposal of interest in a joint venture	-	-	-	-	139,654	-	139,654	-	139,654
Adjustments to share of profits less losses to conform with the Group's accounting policies	3,558	-	-	-	-	167,991	171,549	(138,164)	33,385
Profit before taxation									<u>2,972,167</u>
Less: non-controlling interests	(338,517)	-	-	-	12,395	-	(326,122)	2,539	
Segment results	<u>801,872</u>	<u>46,576</u>	<u>30,584</u>	<u>11,755</u>	<u>467,888</u>	<u>1,656,169</u>	<u>3,014,844</u>	<u>(82,229)</u>	
Interest Income	75,047	17,189	184	-	330,656	-	423,076	31,121	454,197
Finance costs	173	6,277	-	-	96,919	-	103,369	117,343	220,712
Depreciation expenses	1,260	1,578	-	-	684	-	3,522	18,451	21,973
Impairment loss on available-for-sale securities	138,169	4,620	-	-	-	-	142,789	48,585	191,374

Other Information

As at 31 December 2015

	Continuing operations									Discontinued operations	Total	
	Fund Management Business				Reportable					Principal Investment		Sub-total
	Primary Market	Secondary Market	Mezzanine Fund	Everbright Prestige	Principal Investment	Strategic Investment	segments total	All other segments	Principal Investment			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Segment assets	17,005,033	3,058,613	449,590	-	16,179,759	7,962,070	44,655,065	673,388	45,328,453	2,914,436	48,242,889	
Investments in associates	338,927	-	-	87,044	738,836	14,784,022	15,948,829	-	15,948,829	-	15,948,829	
Investments in joint ventures	625,047	-	-	-	-	-	625,047	-	625,047	-	625,047	
Amounts due from investee companies	221,527	-	-	-	72,620	-	294,147	-	294,147	-	294,147	
Amounts due from associates	18,448	-	-	16	-	-	18,464	-	18,464	-	18,464	
Amounts due from joint ventures	6,839	-	-	-	-	-	6,839	-	6,839	-	6,839	
Unallocated head office and corporate assets											144,828	
Total assets											<u>65,281,043</u>	
Segment liabilities	1,342,344	245,393	-	-	4,778,365	-	6,366,102	18,288	6,384,390	1,111,658	7,496,048	
Amount due to a joint venture	-	-	-	-	427	-	427	-	427	-	427	
Amount due to an investee company	-	-	-	-	238,800	-	238,800	-	238,800	-	238,800	
Provision for taxation											331,057	
Deferred tax liabilities											1,021,285	
Unallocated head office and corporate liabilities											13,245,917	
Total liabilities											<u>22,333,534</u>	

As at 31 December 2014 (Restated)

	Fund Management Business							All other segments HK\$'000	Total HK\$'000
	Primary Market HK\$'000	Secondary Market HK\$'000	Mezzanine Fund HK\$'000	Everbright Prestige HK\$'000	Principal Investment HK\$'000	Strategic Investment HK\$'000	Reportable segment total HK\$'000		
Segment assets	11,606,380	2,159,559	337,506	-	13,838,341	9,950,284	37,892,070	946,050	38,838,120
Investments in associates	-	350,509	-	64,090	620,939	11,423,586	12,459,124	-	12,459,124
Investments in joint ventures	574,328	-	-	-	-	-	574,328	-	574,328
Amounts due from investee companies	454,035	-	-	-	69,035	-	523,070	-	523,070
Amount due from an associate	-	-	-	-	19,321	-	19,321	-	19,321
Amounts due from joint ventures	3,995	-	-	-	-	-	3,995	-	3,995
Unallocated head office and corporate assets									216,413
Total assets									<u>52,634,371</u>
Segment liabilities	319,443	342,127	-	-	5,604,197	-	6,265,767	44,714	6,310,481
Amount due to a joint venture	-	-	-	-	494	-	494	-	494
Amount due to an investee company	-	-	-	-	78,969	-	78,969	-	78,969
Provision for taxation									207,078
Deferred tax liabilities									425,918
Unallocated head office and corporate liabilities									7,420,845
Total liabilities									<u>14,443,785</u>

(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 property, plant and equipment, 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 2015			For the year ended 31 December 2014		
	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	891,476	1,240,429	2,131,905	726,044	961,566	1,687,610
Other net income	591,918	215,279	807,197	887,533	424,799	1,312,332
	<u>1,483,394</u>	<u>1,455,708</u>	<u>2,939,102</u>	<u>1,613,577</u>	<u>1,386,365</u>	<u>2,999,942</u>
	For the year ended 31 December 2015			For the year ended 31 December 2014		
	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	<u>1,882,135</u>	<u>15,249,775</u>	<u>17,131,910</u>	<u>1,522,620</u>	<u>12,075,854</u>	<u>13,598,474</u>

20. CONTINGENT LIABILITIES

Corporate guarantee

	Note	2015 HK\$'000	2014 HK\$'000
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	<i>i</i>	<u>2,550,200</u>	<u>875,350</u>

Note:

- i. The Group's subsidiaries have utilised HK\$2,015,260,000 of these banking facilities as at 31 December 2015 (2014: HK\$875,350,000).

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK\$0.5 per share for the year ended 31 December 2015 (2014: HK\$0.33 per share). Together with the interim dividend of HK\$0.25 per share already paid, the aggregate dividend for the year is HK\$0.75 per share (2014: HK\$0.48 per share).

The final dividend, subject to shareholders' approval at the forthcoming annual general meeting, is expected to be paid on or about Wednesday, 22 June 2016 to those shareholders whose names appeared on the register of members of the Company on Monday, 6 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 12 May 2016 to Wednesday, 18 May 2016, 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 Wednesday, 11 May 2016.

The register of members of the Company will also be closed from Thursday, 2 June 2016 to Monday, 6 June 2016, 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, 1 June 2016.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Ball Room, Level 5, Island Shangri-La, Pacific Place, Supreme Court Road, Central, Hong Kong on Wednesday, 18 May 2016 at 10:00 a.m.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There were no purchase, sale or redemptions of the Company's listed securities by the Company during the year.

CHANGE OF AUDITORS

According to the relevant regulations issued by the Ministry of Finance of the PRC regarding the audit work on financial statements of state-owned enterprises, there are restrictions in respect of the years of audit services that an accounting firm can continuously provide to a state-owned enterprise. The Company is an indirect subsidiary of China Everbright Group Ltd. ("China Everbright Group") which is a state-owned enterprise. Since the number of years that the Company has continuously engaged its existing auditors, Messrs. KPMG, has exceeded the prescribed time limit, Messrs. KPMG will retire as the auditors of the Company with effect from the conclusion of the forthcoming annual general meeting of the Company (the "Forthcoming AGM") and accordingly, will not seek for re-appointment. Special notice has been given by a shareholder of the Company which is an indirect subsidiary of China Everbright Group, pursuant to Sections 400(1) and 578 of the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong), of the intention to propose the following resolution as an ordinary resolution at the Forthcoming AGM:

"THAT Messrs. Ernst & Young be appointed as the auditors of the Company in place of the retiring auditors, Messrs. KPMG, to hold office until the conclusion of the next annual general meeting of the Company at a remuneration to be fixed by the board of directors of the Company."

The Board has resolved, with the endorsement of the Audit and Risk Management Committee of the Company, to recommend the appointment of Messrs. Ernst & Young as the new auditors of the Company following the above-mentioned retirement of Messrs. KPMG and such proposed appointment is subject to the approval of the shareholders of the Company at the Forthcoming AGM.

The Company has received a confirmation letter from Messrs. KPMG confirming that there are no matters connected with its retirement that should be brought to attention of the Board of the Company. The Board has confirmed that there are no matters in respect of the proposed change of auditors that need to be brought to the attention of the shareholders of the Company.

CORPORATE GOVERNANCE

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

The Corporate Governance Code (the “CG Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) has been duly adopted by the Board as the code on corporate governance practices of the Company.

Other than deviation from the code provision E.1.2. of the CG Code that the Chairman of the Board should attend the annual general meeting, the Company has complied with the CG Code as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2015. Due to other commitment, Mr. Tang Shuangning, the Chairman of the Board was unable to attend the annual general meeting of the Company in May 2015. However, Dr. Liu Jun, the Deputy Chairman of the Board had attended the annual general meeting of the Company held in May 2015.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a “Code for Securities Transactions by Directors and Relevant Employees” (the “Code”) which is no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 of the Listing Rules. Having made specific enquiry to all directors, the directors confirmed that they have complied with the required standard of dealings set out in both the Code and the Model Code for the year ended 31 December 2015.

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 2015.

The Committee was renamed as the Audit and Risk Management Committee in 2007 with risk management function included in its terms of reference. On top of the duties required by the Listing Rules, it also responds to provide oversight of the Company's risk management programs, and to review the effectiveness of management's processes for identifying, assessing, mitigating and monitoring enterprise-wide risks.

By order of the Board
China Everbright Limited
Chen Shuang

Executive Director and Chief Executive Officer

Hong Kong, 23 March 2016

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS ENVIRONMENT

The year 2015 saw the emergence of highly complicated economic and financial conditions around the world. The U.S economy showed stable growth, the US dollar continued to appreciate against other currencies, and in December the Federal Reserve raised interest rates for the first time since June 2006. In the Eurozone, economic conditions remained challenging even with the European Central Bank's signals that it may ease monetary policy, and geopolitical risks became increasingly prominent. Improvement in Japan's real economy is yet to be seen despite the country's on-going implementation of extremely accommodative monetary policy.

Against a backdrop of weak external economic conditions, China's economic growth declined further in the second half of 2015. The real economy slowed down as the official manufacturing PMI stayed below the boom-bust line of 50% over several straight months. During the reporting period, China's stock market saw a roller coaster ride, undermining market confidence and weakening the direct financing functions of capital markets. Following the implementation of a major package of exchange rate reforms – including the introduction of a mechanism for setting the RMB's central parity rate in August, and the inclusion of the RMB in the Special Drawing Rights (SDR) basket in December – the RMB exchange rate became more flexible, reversing expectations of long-term appreciation of the Chinese currency. In addition, China became a net capital exporter as its outbound investments surpassed foreign investment into the country for the first time.

All these factors indicate the Mainland economy's gradual move towards a “new normal”. The RMB's two-way fluctuations significantly boosted China's need for external investment, presenting the cross-border asset management industry with greater growth opportunities. At the same time, cross-border asset management institutions were confronted with stiffer industry competition and more stringent requirements for investment capability.

China's integration with the global market is a general trend set to continue. The continued accumulation of wealth by Mainland residents and two-way fluctuations of the RMB exchange rate are driving Mainland investors to speed up internationalization of asset allocation. After several years' build-up, China Everbright Limited ("the Group" or "CEL")'s overseas investment business, guided by the Chinese enterprises to "go global" and RMB internationalization, made significant progress in 2015. During the reporting period, CEL completed the acquisition of Burke E. Porter Machinery Company ("BEP"), a manufacturer of automobile testing tools in the US. This was followed by the acquisition of Lapmaster Group Holdings, LLC. ("Lapmaster"), a developer and manufacturer for highly engineered precision surface finishing equipment and consumables. The Group expanded its sector coverage by investing as a Limited Partner in Haiyin Fund, which owns a large number of overseas innovative high-tech investment projects. It also planned to acquire infrastructure projects in Europe with positive long-term operational track records, while continuing to build a pipeline of quality projects and set up overseas infrastructure funds. Mature teams such as the Medical and Healthcare funds as well as Real Estate funds in the Primary Market Funds segment also began expanding into overseas investment businesses.

China's economy faced increasing downward pressure, the rate of return on traditional investment products subdued, posing further challenges to the investment and fundraising capabilities of asset management companies. After years of development in its investment team and the management platform, CEL took full advantage of its low leverage ratio and strong financing capability to successfully complete the second round closing of CEL Catalyst China Israel Fund, and establish Medical and Healthcare Fund II and a multi-strategy alternative investment fund ("FoF fund"). CEL made substantial progress on these fronts during the reporting period, enabling it to provide more product choices for investors.

In summary, 2015 was a year of opportunities and challenges. CEL remained committed to its own operational policy, directing efforts towards maintaining steady growth, making structural readjustments, vigorously pursuing opportunities and meeting market challenges, built an even stronger foundation for growth.

MAJOR EVENTS OF THE YEAR

In light of the overall external environment and CEL's long-term strategy of developing its cross-border investment and asset management business, the Group maintained steady growth, made structural readjustments and vigorously sought to optimise its business operations across various segments in 2015, achieving a "new balance" under the "new normal". The main achievements are as discussed below:

1. China Everbright Group ("CEG"), the parent company post-restructuring, entered the Fortune Global 500 list for the first time and received recognition from the international community. CEG's steady growth has laid a solid foundation for CEL's accelerated development.
2. In December 2015, CEL was awarded credit ratings of "Baa2" and "BBB" by Moody's and Fitch Group respectively. It is the first time the Group received an investment-grade credit rating from an international independent credit rating agency. This places CEL in an even stronger position to seize the substantial business opportunities presented by the accelerated flows of domestic and foreign capital.
3. CEL's fundraising structure is more balanced. During the reporting period, the Group made changes to its fundraising structure through active transformation efforts. On one hand, perceiving increasing risks in China's real estate of some cities, the EBA Investments team, capitalised on the opportunity of relatively high market demand to exit from a number of existing real estate mezzanine loan projects, and result in decrease of AUM. On the other hand, responding to the increasingly significant demand of cross-border asset allocations, CEL intensified its efforts to raise funds from domestic financial institutions. In December, CEL established its first multi-strategy alternative investment fund (the "FoF fund"), which has a target size of RMB10 billion, and completed RMB5 billion of fundraising in the first phase.
4. CEL's investment regions were better balanced. As at 31 December 2015, the Group had 16 post management projects invested outside of mainland China, accounting for 24.7% of its investment projects. By the end of 2015, the CEL Catalyst China Israel Fund, which was founded in 2014, raised commitments in excess of USD200 million. The team also started building up a pipeline for Global M&A Fund.

5. CEL's internal control mechanism became more balanced. While intensifying efforts to shape up its investment business, CEL also set more stringent requirements on its management structure and mechanism. During the reporting period, CEL set up a middle-office operation team at the Head Office to strengthen the connection between the front-office investment team and the back-office control department; established a uniform domestic sales and fundraising team to improve its ability to deal with the asset allocation needs of various institutional investors; improved the composition of fund investment decision-making teams and decision-making standards; strengthened the capacity of its electronic operations and their synergy with major platforms, and promoted the building of a Corporate Data Warehouse, resulting in much-improved internal controls.
6. CEL's business segments demonstrated increasingly balanced contributions. During the reporting period, CEL's Primary Market team observed and rigorously implemented the relevant regulations of the China Securities Regulatory Commission (CSRC), which to some extent delayed the exit plans for some listed projects. However, despite barely satisfactory capital market conditions in the Mainland and Hong Kong, CEL's Secondary Market team and Structured Financing and Investment team still achieved good investment returns through proactive asset allocation and management strategies, which effectively reduced the impact of relevant regulations on investment returns.
7. CEL's investment model became more diversified. In 2015, CEL not only invested in several enterprises with growth potential as a financial investor, but also became a shareholder of several listed companies as a strategic investor, (including Jiabao Group, 600622.SH). These moves have improved the Group's industry consolidation capacity.
8. Thanks to their increasingly mature performances and strong track record, CEL and its teams won a number of industry awards across various categories in both Hong Kong and China market:

Selected awards won by the Company in 2015

Award Date	Award Issuer	Award Winner	Name of Award
27 March 2015	Enterprise Research Institute of the Development Research Center of the State Council; Tsinghua University Institute of Real Estate Studies; China Index Academy	EBA Investments	No. 1 of Top 10 funds in terms of comprehensive strength among China's real estate funds
22 June 2015	Zero2IPO Group	CEL	No. 5 among Chinese institutional LPs in 2014
1 September 2015	China Venture Capital & Private Equity Association	CEL Venture Capital Funds	“Outstanding Achievement Award” for high-performing equity investment institutions, “Best Exit Equity Investment Institution”, one “Gold Prize”, one “Silver Prize ” and two “Bronze Prizes” for excellent equity and venture capital investment projects
18 November 2015	China Mergers & Acquisitions Association of the All-China Federation of Industry and Commerce	CEL M&A Fund	M&A transaction service award
4 December 2015	Zero2IPO Group	CEL	No. 13 among PE Institutions of the Year, No. 4 among Foreign PE Institutions of the Year, No. 3 in Medical and Healthcare Sector, No. 3 in Advanced Manufacturing Sector, No. 2 in Clean Technology Sector
15 December 2015	Global Transport Finance (GTF)	CALC	World “Aircraft Lessor of the Year”

OPERATING RESULTS

During the reporting period, CEL conducted a thorough review and optimisation of its existing business system and management structure, resulting in the grouping of its direct operating business into Fund Management and Principal Investment. Under this structure, the Fund Management Business has been making an increasingly solid contribution from its fee income, and the Principal Investment Business remains a key driver of the Group's growth across various segments. Meanwhile, the Group also worked out a sound risk management system and "Chinese wall" to avoid conflicts of interest, and to safeguard the interests of both the shareholders and fund investors.

Key financial performance

In 2015, CEL posted an operating income of HK\$2.13 billion, up 26.3% year on year; other net income mainly consists of investment gain, down by 38.5% to HK\$0.81 billion; the Group's Fund Management business recorded a pre-tax profit of HK\$1.09 billion, down 11.4% compared to 2014, and the Principal Investment Business generated a pre-tax profit of HK\$300 million, down 34.8%. The Group's total expenditure amounted to HK\$1.18 billion, an increase of 11.3% compared with last year. Total cost-to-income ratio was 40.1%, representing an increase of 4.6 percentage points. Cost-to-income ratio (before interest) amounted to 28.6%, increased by 0.5 percentage points. As a result of vigorous secondary market trading, the turnover of the Group, which mainly represents gross sale proceeds from disposal of trading securities of secondary market investments, increased 57.2% to HK\$10.4 billion.

Financial performance of CEL's

Direct operating business

<i>(in HK\$' 100 million)</i>	2015	2014	Change
Pre-tax profit of Fund Management Business	10.9	12.3	-11.4%
Pre-tax profit of Principal Investment Business	3.0	4.6	-34.8%
Total expenditure	11.8	10.6	11.3%
Total cost-to-income ratio	40.1%	35.5%	+4.6 pp
Cost-to-income ratio (before interest)	28.6%	28.1%	+0.5 pp

Profit of major business segments

During the fiscal year ended 31 December 2015, profit attributable to equity shareholders was HK\$5.14 billion, an increase of 101% compared with the same period last year. In particular, CEL's after-tax profit from the Direct operating business was HK\$450 million, down 67.2% over the same period last year. CEL's share of profit from Everbright Securities amounted to HK\$3.04 billion, an increase of 249.4% compared with the same period in 2014. China Everbright Bank contributed a dividend income after tax of HK\$330 million, an increase of 3.1% from last year. Besides, since Everbright Securities completed its private placement on September 2015, the Group recorded a net gain on deemed disposal of interest in associates of HK\$1.32 billion.

In 2015, the decrement of after-tax profit of Direct operating business is mainly because:

1. During 2015, although the net fair value increased by HK\$3.3 billion among the Group's available for sale securities (excluded investment in China Everbright Bank), the notice announced by CSRC (on 8 July 2015) postponed CEL from some originally planned divestment in 2015. In particular, the investment revaluation reserve of the investment in China Everbright Bank decreased by HK\$1.6 billion, but the overall investment revaluation reserve of the Group increased by 15.8% to HK\$11.7 billion (as at 31 December 2014: HK\$10.1 billion). As CSRC issued an updated guideline in January 2016, CEL will reinitiate the procedures for exiting from some of its investments in certain mature projects, to maintain sustainable growth in investment income.
2. Given the relatively volatile market conditions, through a prudent approach and to reserve a safe margin, the Group recorded impairment loss on a few investees;
3. By exiting from a number of projects in Mainland China, the corresponded tax increased significantly for the reporting period;

Profit of major business segments

<i>(in HK\$100 million)</i>	2015	2014	Change
Direct operating business	4.5	13.7	-67.2%
Share of profit from Everbright Securities	30.4	8.7	249.4%
Dividend income contributed by			
China Everbright Bank (after tax)	3.3	3.2	3.1%
Gain on deemed disposal of Everbright Securities	13.2	–	–

Distribution of equity attributable to the Company's equity shareholders

In the second half of 2015, CEL's total shareholder equity declined 2.5% to HK\$39.4 billion compared with 30 June 2015, reflecting the impact of market and exchange rate fluctuations. In particular, the Group's equity in the Direct operating business was HK\$17.2 billion, down 1.1%; the book value of CEL's share of Everbright Securities' was HK\$14.2 billion, up 14.5%; and its equity attributable to shareholding in China Everbright Bank was HK\$8 billion, down 23.8%.

Distribution of equity attributable to the Company's equity shareholders

<i>(in HK\$100 million)</i>	End 2015	30 June 2015	Change
Direct operating business	172	174	-1.1%
Everbright Securities	142	124	14.5%
China Everbright Bank	80	105	-23.8%

In addition, the Group increased its bank borrowings at a measured pace to support the further development of its asset management business. The Group's interest-bearing debt ratio increased to 33.8% as at 31 December 2015, compared with 25.2% as at 30 June 2015, which is still at a comfortable level.

CORE BUSINESS – FUND MANAGEMENT AND PRINCIPAL INVESTMENT

FUND MANAGEMENT BUSINESS

The Group's fund management business includes Primary Market Funds, Secondary Market Funds, Mezzanine Funds, Multi-strategy Alternative Investment Fund (FoF Fund) and Everbright Prestige Capital Asset Management Company Limited ("Everbright Prestige"), providing investors from Asia-Pacific, Europe and the US with diversified services.

In recent years, the Group's fund management business has expanded rapidly, extending its investment footprints to overseas. In terms of asset chain, it has grown from traditional equity investment to include sector funds such as healthcare and real estate – industries that require thorough understanding and thereby provide more established fund management products.

As at 31 December 2015, the Group's fund management business actively managed 31 funds (excluding non-actively managed funds raised through different channels for other external institutions). It had a total of 71 post-investment management projects, of which 14 projects were listed on various stock markets across the globe. The total fundraising scale was HK\$49.0 billion, a decrease of 2.6% over 31 December 2014, with external funds accounting for approximately 79%. The outstanding committed capital balance plus the aggregate value of project investments amounted to HK\$50.9 billion, representing a decrease of 5.9% compared to fiscal year 2014.

The list of funds under the Group's fund management business (as at 31 December 2015) is as follows:

Fund business	Type of funds	Fund	Year of launch	Investment focus	Total committed capital
Primary market funds (14 funds)	Private equity funds	China Special Opportunities Fund I	2004	Manufacturing & servicing	USD50 M
		China Special Opportunities Fund II	2007	Telecom, media, hi-tech & consumer	USD100 M
		China Special Opportunities Fund III	2010	Agriculture, consumer goods, servicing & financial auxiliary	USD399 M
	Venture capital funds	Beijing Zhongguancun Investment Fund	2007	High-growth manufacturing, hi-tech & servicing	RMB200 M
		Everbright Jiangyin Asset Investment Fund	2009	High-growth industries	RMB260 M
		Everbright Guolian Fund	2009	High-growth industries	RMB320 M
	Sector focus funds	Everbright Ashmore China Real Estate Fund (USD)	2009	China real estate	USD140 M
		Everbright Ashmore China Real Estate Fund (RMB)	2009	China real estate	RMB12.4 B
		Everbright Hero Fund	2014	Ying Li International Real Estate	USD120 M
		Everbright Medical and Healthcare Fund I	2012	Healthcare industry	RMB600 M
		Everbright Medical and Healthcare Fund II	2015	Healthcare industry	RMB1 B
		Everbright Jiangsu New Energy (Low Carbon) Fund	2010	New materials, environmental protection & energy saving	RMB100 M
		Everbright Qingdao New Energy (Low Carbon) Fund	2013	New materials, environmental protection & energy saving	RMB650 M
		Shandong Hi-Speed Everbright Industrial Fund	2014	Municipal services, environmental protection, clean energy	RMB1.8 B
M&A funds	CEL Catalyst China Israel Fund	2014	Innovative Israeli companies	USD200 M	

Fund business	Type of funds	Fund	Year of launch	Investment focus	Total committed capital
Secondary market funds (15 funds)	Equity funds		2012	Equity investments	HKD4.24 B equivalent
	Fixed income funds		2012	Fixed-income investments	HKD1.52 B equivalent
	PIPE and New Third Board Market fund		2015	PIPE & New Third Board opportunities	HKD0.25 B equivalent
Mezzanine funds		Onshore Mezzanine Fund	2012	Onshore mezzanine financing	RMB800 M
Everbright Prestige		Fundraising for CEL's actively managed products	2014	Asset management for onshore clients	RMB6.3 B
FoF Fund			2015	promising enterprises or projects that have yet to be listed, with investment targets including private equity, venture capital and real estate	RMB5 B
Total					HK\$49 billion

Income analysis (by nature of income)

During the reporting period, income from the fund management business was HK\$1.64 billion, down 2.4%. Of the total income, fund management and performance fees accounted for HK\$250 million, representing an increase of 47.1% over the same period last year. Interest income from the provision of structured financing products for clients was HK\$80 million, representing a decrease of 11.1% compared with the same period last year. Dividend income amounted to HK\$80 million, down 68%. In terms of investment returns, by disposal of financial assets, the Group realised capital gain increased by 1267% to HK\$1.23 billion. On the other hand, the Group recorded an unrealised loss of HK\$420 million due to market volatilities and policy restrictions on project exit channels.

**Income from fund management business
(Classified by nature of income)**

(in HK\$100 million)	2015	2014	Change
Fund management and performance fees	2.5	1.7	47.1%
Consultancy and arrangement fees	2.8	1.8	55.6%
Interest income	0.8	0.9	-11.1%
Dividend income	0.8	2.5	-68.0%
Other Net Income (realised gain)	12.3	0.9	1267%
Other Net Income (unrealised (loss)/gain)	(4.2)	8.8	N/A

Pre-tax profit analysis (By business segment)

The Group recorded a pre-tax profit of HK\$1.09 billion from the fund management business, a decrease of 11.4%. In terms of the contributions of various fund segments, Primary Market Funds (the Group's most established segment under the fund management business), which rigorously implemented the relevant regulations of the CSRC, recorded a pre-tax income of HK\$930 million, down 18.4% over the same period last year. Secondary Market Funds achieved satisfactory income despite difficult market conditions, posting a pre-tax income of HK\$120 million – a sharp improvement over the same period last year. Mezzanine Funds performed stably and also started work on the launch of a new series of USD-denominated and RMB-denominated mezzanine funds. After one and a half years of incubation, Everbright Prestige began to assume a growing role in supporting the fundraising and product development efforts of CEL's various funds.

**Pre-tax profit from fund management
business (By business segment)**

(in HK\$100 million)	2015	2014	Change
Primary Market Funds	9.3	11.4	-18.4%
Secondary Market Funds	1.2	0.5	140%
Mezzanine Funds	0.2	0.3	-33.3%
Everbright Prestige	0.3	0.1	200%

PRIMARY MARKET FUNDS

Primary Market Funds – which mainly comprise Private Equity Funds, Venture Capital Funds, Sector Focus Funds and the Overseas Mergers & Acquisitions (M&A) Funds – remains the Group’s most established business segment. They invest in industries such as precision instruments, infrastructure, new materials, medical and healthcare, and real estate.

As at 31 December 2015, Primary Market Funds raised a total of HK\$28.5 billion and managed 67 post-investment management projects. In 2015, Primary Market Funds invested in 15 projects, and completely divested 19 investment projects. The Primary Market Funds recorded a pre-tax profit of HK\$930 million, down 18.4% over the same period last year.

On 8 July 2015, under relatively volatile market conditions, CSRC issued the “Notice on Issues Concerning the Increase of Shareholding in a Listed Company by Its Principal Shareholders, Directors, Supervisors, and Senior Executives” to alleviate the pressure of intensive sell-offs and help restore balance between supply and demand in the stock exchange. In strict accordance with the relevant provisions, CEL postponed the planned exits of its funds from a number of projects. On 7 January 2016, CSRC issued “Several Provisions on Shareholding Reduction by Principal Shareholders, Directors, Supervisors and Senior Executives of a Listed Company”. Following these guidelines, CEL will reinstate the procedures for exiting from some of its investments in certain mature projects in a lawful, transparent and orderly manner.

1. Private Equity Funds

In 2015 the Group’s three China Special Opportunities funds moved into the exit stage and managed a total of 22 post-investment projects. In the first half of 2015 the Group achieved relatively good investment return by capitalising on opportunities arising from the Chinese capital market boom and disposing of all its shares of Beingmate, as well as a portion of its shares of Anhui Yingliu Electromechanical, which just beyond the lock-up periods.

Currently, the Special Opportunities Fund series is holding a large number of shares and convertible bonds of listed companies that are already beyond their lock-up periods. The team will choose an opportune time to dispose of these available-for-sale securities and realise greater capital gains. Meanwhile, yet-to-be-listed companies have been under good care operationally, with investees such as China UMS maintaining steady growth.

2. Venture Capital Funds

The three Venture Capital Funds managed by the Group's fund management team – Everbright Guolian Fund, Everbright Jiangyin Asset Investment Fund and Everbright Zhongguancun Investment Fund – have completed their investment periods and are now in the stage of post-investment management. In 2015, 2 of the 20 Venture Capital Funds investee projects had launched an IPO, 3 had been listed on the New OTC BB market, 6 had been totally divested and 1 was to be acquired by a listed company. In particular, CECEP Wind-power has been listed on the main board of the Shanghai Stock Exchange; Hanbang Gaoke and Shenzhen Jiawei Photovoltaic Lighting have been listed on the Shenzhen Stock Exchange's Growth Enterprise Market; and Beijing LvSan Chemistry, Jiangsu Yida Chemical, Beijing Leili, Anyang Xinsheng Machine Tool, CAXA, Yonder Environment, Newplan and Surpass Sun Electric have been listed on the New Third Board market. On 22 April 2015, the listed Bohai Water Industry announced plans to acquire Jiacheng Environmental Protection, an investee project held by Venture Capital Funds, and the application for such deal has been accepted by CSRC.

In 2015, the investment team completely divested three post-investment management projects and partially divested two post-investment management projects. Beijing LvSan Chemistry was completely divested through a negotiated transfer on the New Third Board Market in April 2015, Beijing Zhongke Huayu Energy Technology Development was completely divested via M&A in May; and Jiangyin Libo Pharmaceutical Biotechnology was completely divested via an equity transfer in August. All these exits realised good investment returns.

The Venture Capital team is currently working on a new phase of fundraising. It is seeking to build on the successful experience and investment strategies of CEL's Venture Capital Funds while capitalising on the opportunity presented by the state's launch of a strategy of proprietary innovation to encourage and support rapid development of tech innovation-based enterprises. New target investees will be industry-leading, innovative, high-growth, high-tech enterprises, in line with the concept of strategic emerging and Internet+ industries. During the reporting period, the investment team concluded framework cooperation agreements with several potential limited partners (LP). It also continued to hold discussions with potential investors and prepare relevant legal documents for fund establishment.

3. Sector Focus Funds

The Group's Sector Focus Funds concentrate on pillar industries in mainland China that can offer stable returns, as well as emerging industries with sizeable growth potential. The funds cover five specific sectors – real estate, infrastructure, medical and healthcare, new energy, and overseas markets. Backed by highly professional teams with thorough understanding of these markets, Sector Focus Funds have uncovered investment opportunities in every sector and achieved gains arising from the long-term growth and structural demands of various industries.

Real Estate Funds

As the Group's largest Sector Focus Fund, Everbright Ashmore Real Estate Fund (“EBA Investments”) has become the leader among China's real estate private equity funds. During the reporting period, EBA Investments earned the top rank in the “2015 Top 10 Funds in Terms of Comprehensive Strength Among the 2015 China Real Estate Funds”, an analysis which was jointly prepared by the Development Research Centre of the State Council, Tsinghua University's Institute of Real Estate Studies and the China Index Academy. EBA Investments, is responsible for multi-currency and multi-strategy USD-denominated (i.e. Everbright Ashmore China Real Estate Fund (“USD Fund 1”) and RMB-denominated funds.

During the reporting period, USD Fund 1, which invests in Chinese real estate projects with high growth potential applying an equity investment strategy, entered its divestment period. USD Fund 1 successfully exited from two Shenyang Rongsheng projects in early 2015, bringing the number of exits to four out of a total of six investment projects. Following the divestment, the Limited Partners of USD Fund 1 have recovered all of their investment capital and have begun to realise profit. The remaining projects of USD Fund 1 area retail project in Shanghai (IMIX Park) and a residential project in Xuzhou. Both of which are expected to generate a profit for investors and are now under satisfactory post-investment management.

In 2015, the overall risks in mainland China's real estate market grew, despite the government's relatively lax monetary policy. On the one hand, there was a serious over-supply of residential properties in tier-3 and tier-4 cities as well as non-central areas in some tier-2 cities. Although investment opportunities could still be found in tier-1 cities, the relatively high land prices there made development quite risky. On the other hand, stock market volatility in 2015 resulting in increased demand for fixed-income investment, bringing good exit opportunities for EBA Investments' RMB funds, which focus on fixed-income investment. Under such strategy, as at the end of 2015, with regard to RMB funds, the platform had a total AUM was approximately HKD14.8 billion, of which 93% was raised externally, and a 37% decline in funds under management from HKD23.6 billion in the middle of the year. EBA Investments does not only apply pure equity or pure debt instruments, but also improves the ability of Property Management. The projects under management lie mainly in the core districts of Beijing, Shanghai, Chongqing and other prominent cities. A total of four shopping centre with a total area of approximately 326,700 m² are under management: the best of this group is represented by the IMIX Park project in Chongqing. In addition to the shopping centres, EBA Investments also have two other projects under active development with a total area of about 754,600 m², including the prestigious New Beijing Centre in Tongzhou.

In line with our innovative and customer-centred post-investment management model, EBA BJ AMC established EBA Investments (Beijing) Science and Technology Co., Ltd. in the third quarter of 2015. The company will develop smart "Internet-related" applications that will improve our client's lifestyle and enhance our asset management capacities for its existing properties. Our primary model is online-to-offline ("O2O") integration. Furthermore, in pursuit of a successful O2O model, it will bring technologies such as iBeacon, smart parking recorders and smart lock to our assets and in the process collect data on foot traffic and transaction conversion, that in the future will be integrated on the mobile internet. EBA Investments has signed a strategic cooperation agreement with Baidu to work on precision marketing and stored-value membership cards as part of this project.

The value of core properties which can generate stable cash flow is now increasingly important as a result of China's slowing economic growth and falling interest rates. Therefore, The EBA Investments team has already begun to implement a strategy that will see more resources being invested in prime sites of core cities while strengthening its ability to acquire and actively manage commercial assets. Meanwhile, on the strength of the incorporation of the existing IMIX Park brand and our 2014 acquisition of the Singapore listed Ying Li International and its various high-end shopping malls, the EBA Investments team will further expand its acquisition of and management services for large shopping malls in a bid to enhance its brand impact and increase management fee income. Furthermore, rising demand for long-term fixed-income assets enabled EBA Investments to partner with Everbright Prestige to promote full-service real estate asset securitisation.

Healthcare Fund

Healthcare costs are increasingly becoming a significant part of people's consumption spending in China. With the transition of China's economic growth model, the focus on service, consumption and high end technologies will be the major direction for the structural readjustments in Chinese industries and the construction of a new economy. In the healthcare sector, the demand for medical care and elderly care has been rising rapidly due to an ageing population. We expect many new healthcare investment opportunities will emerge from the ever-higher spending on medical and healthcare services, the breakthrough in medicine and medical technology brought about innovations, and from the globalisation of Chinese healthcare and pharmaceutical enterprises.

Against this background, Everbright Healthcare Fund's investments will mainly focus on the following areas: 1. the integration of best medical technologies and medical services with medical insurance; 2. the advanced technologies and business models that can effectively resolve the need of high unmet medical needs, such as chronic disease management and terminal disease treatment for an ageing population; 3. The best providers that can meet consumer's' upgrade demand of products and services in healthcare; 4. cross-border acquisition of advanced healthcare technologies; and 5. the internationalisation of Chinese meditech and pharmaceutical enterprises.

As at the end of 2015, the Everbright healthcare team managed two funds. Everbright Medical and Healthcare Fund I with a fundraising size of RMB600 million, essentially completed its investment phase. It is now in the project management and exit stage. Everbright Medical and Healthcare Fund II raised RMB1 billion, saw its first closing in February 2015 and completed investment in four projects during the year.

Regarding Everbright Healthcare Fund I, the portfolio companies continued to perform well. CEL continued to work towards enhancing the post-investment value of its investees. During the reporting period, investee BGI submitted an IPO prospectus for listing on the Growth Enterprise Market in December 2015. Investee AMCARE Women's & Children's Hospital carried out preparations for a dual listing overseas (as a red chip company) and in mainland China. Investees Zhejiang Beta Pharma Inc. and Kunming Jida Pharmaceutical Co., Ltd. entered the final stage of IPO. Post-investment management projects like Yuwell saw constantly increasing income and profit.

In early January 2015, Everbright Healthcare Fund II partnered with other CEL funds to invest in China Traditional Chinese Medicine, and helped the company complete the acquisition of an 87.30% stake in Jiangyin Tianjiang Pharmaceutical Co., Ltd. in the second half of 2015. In May, the fund – in collaboration with Fosun Pharma, HOPU Investments and WuXi AppTec – acquired Ambrx Inc., a protein therapeutics R&D company in the US. After completing the integration of Ambrx's North American team, it is now preparing for a listing on the New Third Board market and is expected to launch clinical tests on major new proprietary drugs in Australia soon. In the second half of 2015, the investment team completed investments in the Mevion and BioChain projects. Based in Boston, Mevion is a leading producer of advanced proton therapy systems for cancer treatment. BioChain (Beijing) Science and Technology Co., Ltd. specialises in molecular diagnostics for cancer treatment and is commercialising production in mainland China of leading screening and diagnostic products for colon and rectum cancer, stomach cancer and lung cancer.

Currently the healthcare team has completed investments in a total of 10 projects under Fund I and Fund II, covering both the domestic and overseas markets. In 2016 the investment team will focus on post-investment management of the above projects, closely monitoring market changes and the operations of the investees in order to prepare for suitable exit plans. At the same time, it will actively work on the launch of Everbright Medical and Healthcare Fund III.

Infrastructure Fund

CEL partnered with Shandong Hi-Speed Group in 2014, completing the first closing of Shandong Hi-Speed Everbright Industrial Fund after successfully raising RMB1.8 billion. Through this fund, CEL focuses on the changes and developments brought about by a new type of urbanisation in mainland China, concentrating on investment opportunities generated by industry upgrades in areas such as municipal services, environmental protection and clean energy.

Currently Shandong Hi-Speed Everbright Industrial Fund's investment drive is in full swing, with 4 post-investment projects under management. In 2015 the investment team invested in three new projects. Jiangsu Central Autoparking Co., Ltd., with eight patented technologies under its belt, is known for next-generation parking technology and a commitment to resolving the problem of limited parking spaces in urban China. Located in Shenyang of Liaoning Province, Guodian Northeast China Environmental Protection Industry Group Co., Ltd. and its subsidiaries together own 10 sewage treatment plants and one processing station, with a daily processing capacity of 1,250,000 tonnes of sewage. And Eastern Energy (Pingyuan) Gas Co., Ltd. is mainly engaged in providing natural gas pipeline services for industrial and commercial companies.

CEL has also been involved in the financing of Shandong High-Speed Group's major projects, leveraging CEL's asset management expertise to help revitalise inventory assets through asset securitisation.

New Energy Funds

CEL's New Energy team manages two RMB funds, Everbright Jiangsu New Energy (Low Carbon) Fund and Everbright Qingdao New Energy (Low Carbon) Fund. These funds focus on areas such as energy conservation and environmental protection, new materials, clean energy, high-end clean manufacturing and green consumption. Everbright Jiangsu New Energy (Low Carbon) Fund has completed investments, and Everbright Qingdao New Energy (Low Carbon) Fund is still in its investment period. Currently the New Energy team is managing 7 post-investment projects. During the reporting period, Everbright Qingdao New Energy (Low Carbon) Fund invested in 3 projects, with 1 listed on the New OTC BB market and 1 lodged an IPO application.

In January 2015 Turbine Seal High-Technology, invested by Everbright Jiangsu New Energy (Low Carbon) Fund, became the first enterprise under this fund to have been listed on the New Third Board market. In September 2015 Everbright Qingdao New Energy (Low Carbon) Fund, through an investment in Zhizhen Intelligence, accessed for the first time the emerging information industry characterised by the artificial intelligence/Internet+ concept. Zhizhen Intelligence is the world's largest technology and operation provider of Chinese-language intelligent robot "i Robot" and was listed on the New Third Board market in December 2015. Meanwhile, the fund management team submitted an IPO application for Jiangyin Hengrun Heavy Industries Co., Ltd. under its management that was accepted on 13 November 2015.

Besides, Shandong Huajian Warehousing Equipment Technology Co., Ltd., an investee of New Energy Funds, is carrying out shareholding reform and will actively pursue opportunities for a listing. Investee China Sinogy Electric Engineering Co., Ltd. plans to complete its M&A exercise as a listed company in 2016. Investee Qingdao iTechene Technologies Co., Ltd. completed shareholding reform on 15 November 2015 and will actively pursue opportunities for public listing in 2016.

Mergers and Acquisitions Fund

The trend of Chinese enterprises "going global" and internationalization of Renminbi became a hot topics in 2015. With a massive domestic market, China will be able to significantly enhance the value of its the country's individual enterprises and industries by connecting them with global resources through overseas M&As, followed by effective integration and restructuring.

Israel offers excellent investment environment, and the Jewish is highly regarded by the international community for having a world-leading culture of innovation, making it an attractive partner. During the reporting period, CEL's first overseas M&A fund, CEL Catalyst China Israel Fund ("China Israel Fund"), helped the investee company Lamina optimise its sales strategies and conduct an intensive search for potential partners in the Chinese market. At the same time, the China Israel Fund built up a robust and quality investment pipeline after analysing a number of potential investment opportunities in the Israeli market in industries such as 3D printing, wireless Internet, communications and agriculture. As at the end of December 2015, China Israel Fund has received a total subscription of approximately US\$200 million.

Meanwhile, the Group has started preparing for the launch of a larger global cross-border private equity fund. This new fund is expected to target enterprises with unique assets or technological edges in global market that are not already covered by the China Israel Fund. In March 2015, the investment team completed the buyout of Burke E. Porter Machinery Company (BEP), a major developer of testing systems; and supported BEP to complete three bolt-on acquisitions. Through these acquisitions, BEP was able to expand and diversify its product offerings and business mix, building a stronger global presence and service capabilities in balancing systems and powertrain systems that could generate significant improvement in scale and profitability. In November 2015 the investment team completed its second buyout with a controlling interest in Lapmaster, with the aim to develop the platform into a world-leading high precision surface finishing equipment and solution provider.

SECONDARY MARKET

Following years of development, CEL's Secondary Market platform has become increasingly mature. By combining the original two sectors, Asset Management and Absolute Return, the Secondary Market platform now covers three segments: Equity Funds, Fixed Income Funds, and PIPE and New OTC BB Market Fund.

As at 31 December 2015, the three teams in Secondary Market managed a total of 15 funds with total AUM of HK\$6.11 billion, down 3.0% from the same period last year. Currently, HK\$3.4 billion in funds raised by Everbright Prestige Capital Asset Management are managed by the Secondary Market asset management team as a sub-advisor. During the reporting period, the Secondary Market posted a pre-tax profit of HK\$120 million, up 140% compared with the same period last year. Income from asset management and performance fees was HK\$40 million.

1. Equity Funds

In 2015 the A-share market went on a wild roller-coaster ride. From early 2015, bullish market sentiment and hectic trading drove the A-share index sky-high until mid-June, when it quickly retreated and then fluctuated wildly under the pressure of de-leveraging initiated by the regulatory authorities.

In the face of such complicated market conditions, CEL's Equity Funds performed well overall. Everbright China Focus Fund adopted an active asset allocation and management approach during the bull market and harvested good returns. At a time of high market volatility, it exercised rigorous risk management by adopting sound operational measures in a timely manner to effectively ease the impact of market fluctuations on investment returns. In 2015 the fund recorded a net absolute return after expenses of 46.9%, far outperforming the 5.58% gain recorded by the Shanghai Shenzhen CSI 300 Index for A-shares over the same period. Everbright China Focus Fund was recognized and ranked No.1 in both Emerging Markets – Asia and Emerging Markets – Asia Equities categories by BarclayHedge database in February of 2016.

CEL's Equity Funds, including China Focus Fund, Everbright Global Event Arbitrage Fund and Everbright Dynamic Alpha Fund, manages a total AUM of approximately HK\$4.3 billion. In 2016 the asset management team will make timely adjustments to its fund investment and fundraising strategies in response to market changes, while focusing on improving the performance of the funds and creating star products.

2. Fixed Income Funds

In the second half of 2015, the stock market's volatility highlighted the importance of fixed income assets in providing a stable source of asset returns for investors. CEL's fixed income team seized this opportunity to continue optimising its product line.

In October 2015, Everbright Dynamic Bond Fund completed its three-year product term and recorded an exceptional gross return after expenses of 18.4%–19.7% for preferred shares and a 45.9%–47.5% return for subordinate shares. The asset management team restructured this star product in late October and re-launched it to investors, yielding impressive fundraising results. As at the end of 2015, the fund had a total AUM of US\$110 million, up 220%, in comparison to AUM site before re-opening.

During the reporting period, the fixed income team also achieved a satisfactory close for its Greater China Bond Investment Portfolio Trust Fund Launched in November 2012, the fund reaped solid results after three years of effort, generating a 16.2% gross return after expenses for preferred shares and a 60.3% return for inferior ones. This excellent performance helped the fixed income team to expand its base of large commercial bank customers and establish a good reputation to facilitate future growth.

In 2016 the fixed income team will focus on setting up actively managed funds and large managed accounts, maintaining and expanding its current client base (including domestic and overseas commercial banks, high net worth customers and FoF Fund) and keeping good investment returns and actively conducting research into the feasibility of developing major new products and channels.

3. PIPE and New Third Board Market Business

PIPE (Private Investment in Public Equity, referring to listed company-related alternative equity investments conducted in private markets) and New Third Board Market Business represents a new business segment launched by the Group in 2015.

CEL successfully raised RMB210 million by May 2015 for its New Third Board Fund. Focusing on emerging industries, the Fund targets quality enterprises that are listed or planning to be listed on the New Third Board market. Through investing through private placement, share transfers and market making, CEL can become an influential shareholder and then exit by means of market making/competitive price transaction, M&A and transfer of listing to achieve excellent returns.

During the reporting period, CEL's New Third Board Market Funds completed investments in Shanghai Hequan Pharmaceutical Co., Ltd., and Qingdao New Energy Solutions Inc. The team will remain focused on high-growth enterprises in strategic emerging industries and modern service sectors.

In 2016 the PIPE and New Third Board Market investment team will continue its cross-market operations in line with CEL's strategy of optimising foreign currency asset allocations, while exploring investment opportunities in offshore Hong Kong stocks/China concept stocks and onshore A-share/New Third Board markets.

MEZZANINE FUNDS

As one of China's first investment managers dedicated to mezzanine investment, CEL's RMB Mezzanine Fund team differentiates itself with its proactive portfolio management capabilities, aiming at generating superior PE-type return under a manageable level of risk. CEL's RMB Mezzanine Fund mainly targets at established companies with superior operational capabilities and solid growth potential in the Greater China region, as well as cross-border investment opportunities with China angle. The Fund prides to be the total financial solution provider to the portfolio companies. By taking into consideration of the industry development and the investees, CEL's RMB Mezzanine Fund provides tailor-made financial solutions to the investee with a strong emphasis on mezzanine investments instruments, and a lesser extent on pure equity or pure debt instruments.

In June 2015 CEL's RMB Mezzanine Fund partnered with AVIC, AVIC Capital and COFCO Trust to invest in AVIC Precision Casting Science and Technology Co., Ltd ("AVIC Precision Casting"). CEL's RMB Mezzanine Fund set up a SPV fund with two institutional limited partners to invest into AVIC Precision Casting, and own 20.7% of its share capital. As the lead investor, CEL's RMB Mezzanine Fund strives to play an active role in improving the company's corporate governance and management systems. The SOE restructuring via introducing external investors and restructuring the business into a mixed-ownership model is a rising trend supported by the Chinese government. This investment demonstrates the capabilities of CEL's RMB Mezzanine Fund capturing the rare opportunity and playing a critical role in the restructuring of core state-owned asset.

As at 31 December 2015, CEL's RMB Mezzanine Fund has been fully committed. Total investment amount reached RMB800 million (including the committed amount). The fund has generated a profit of HK\$14.27 million for the year, down 53% compared with the same period last year. With the growing demand for cross-border investment and financing, as well as structured investment opportunities arising from China's rationalizing economic growth, the team has built a strong pipeline of potential investment projects. Meanwhile, it has officially kick-started preparing the launch of its Fund II, with a target size of RMB1.5 billion.

EVERBRIGHT PRESTIGE

Following an additional capital injection by CEL in March 2014, Everbright Prestige Capital Asset Management Company (“Everbright Prestige”) has witnessed the evolution of a highly synergistic business model driven by its two major shareholders, China Post Fund and CEL. As Everbright Prestige’s largest shareholder, China Post Fund provides support in macro and industry investment strategies and enriches the variety of Everbright Prestige’s secondary market product lines. At the same time, the breadth and depth of experience that CEL, which holds a 35% stake in Everbright Prestige, has gained over the years in private equity investment provides Everbright Prestige with significant management expertise and enhances its platform value.

In January 2015 Everbright Prestige was granted provisional qualification as a Qualified Domestic Investment Enterprise (QDIE) by the Shenzhen Municipal Government’s Financial Development Services Office to further expand the business scope of its cross-border investments. As such, the QDIE qualification also creates more optimal conditions for CEL to capitalise on the opportunities arising from two-way capital flows of China market. In the second half of 2015, Everbright Prestige established the “Wealth Management Centre” the major responsibilities of which are connecting fund channels, providing customer management services and conducting product marketing research. By the end of 2015, the Wealth Management Centre had matched 16 products with customers, raising approximately RMB1.5 billion on its own. Everbright Prestige is gradually becoming CEL’s hub for domestic financing and overseas asset management.

In January 2016 the Asset Management Association of China announced its rankings of asset management companies based on their value of separately managed accounts (SMA) as at the end of 2015. The value of SMA at Everbright Prestige totalled RMB54.2 billion, up 36.87% year on year. Unlike many of its peers, the beauty of Everbright Prestige is that while expanding the scope of its channel projects, it mainly focuses on actively managing a great portion of its projects. This unique capability enables Everbright Prestige to seamlessly link its diversified primary and secondary market product lines and provide tailored solutions to meet the increasing demand of customers as a one-stop financial service provider. During the reporting period, CEL’s share of Everbright Prestige’s profit was HK\$30 million based on the equity accounting method.

MULTI-STRATEGY ALTERNATIVE INVESTMENT FUND (FoF FUND)

In December 2015 Everbright co-invested RMB1.25 billion with external investors in establishing its first multi-strategy alternative investment fund (“FoF Fund”). The committed scale for the initial phase of the fund was RMB5 billion. As CEL’s first multi-strategy alternative investment fund, FoF Fund can help diversify institutional investors’ portfolios and alleviate the impact of market volatilities. FoF Fund focuses on promising enterprises or projects that have yet to be listed, with investment targets including private equity, venture capital and real estate.

CEL has comparatively mature experience in primary market investment, and its product lines cover various industry sectors at different stages of a corporation’s life cycle. Through more than 10 years of investment, CEL has nurtured a large number of enterprises that became the industry benchmark, while providing stable returns in a volatile market. FoF Fund focusing invests in CEL’s primary market funds and leading private equity funds across a number of industries that maintain good working relationships with CEL and are well regarded for having solid market reputations and proven track records. The establishment of FoF Fund can facilitate the rapid growth of CEL’s distribution and financing teams. In addition, it can help CEL’s institutional sales team deepen its understanding of the overall demands of investors, adopt a unified marketing strategy and promote the sharing of customer resources.

Building on the FoF Fund, CEL will step up its fundraising efforts directed at large institutional investors in mainland China and provide one-stop financial services that offer both liquidity and potential returns for major institutional funds. It will also help rebalance the proportion of CELs’ seed capital in various funds, and create synergy with the internal resources across China Everbright Group.

PRINCIPAL INVESTMENT

CEL is committed to cross-border fund management. While devoting efforts to external fundraising, CEL also optimise the use of its own capital through various investment methods, using equity, bonds and derivatives to support its fund management business. The philosophies of CEL's principal investment business are:

1. CEL's own capital is used to support investment teams at the growth stage and to incubate quality private equity funds. CEL invests well-proportioned seed capital in funds at the initial and growth stages (e.g. early-stage Private Equity Fund, Medical and Healthcare Fund, and M&A Fund), providing the opportunity to grow with the investment teams by leveraging CEL's strong platform, market position, influence and forward-looking investment strategy. A number of investment teams have become more established, demonstrating strong influences in different industries.

PIPE fund, which is under incubating by secondary market of the Group, is one of the examples. During the reporting period, CEL's PIPE investment team successively participated in the private placement of Shanghai Oriental Pearl Media Co., Ltd. (600637.SH), China Traditional Chinese Medicine Co. Limited. (570.HK) and GEM Co., Ltd. (002340.SZ). It also exited Wanda Commercial Properties (3699.HK), an investment initiated in 2014. As at 31 December 2015, PIPE inventory projects had a total AUM of HK\$1.30 billion (based on year-end market prices), registering an annual cumulative unrealised return of HK\$140 million, an annualised return of 20%.

2. Create positive synergies between its principal investment and fund management businesses, directly investing or co-investing in projects with a competitive edge in their sector. Leveraging its abundant resources in quality projects across a wide range of sectors, CEL has completed a series of investments using its own capital, including a co-investment in Jiangsu Yuyue Medical Equipment & Supply Co., Ltd with Sequoia Capital and Highlight Capital (managed by the Medical and Healthcare Fund management team), an investment in the Singapore-listed Chinese real estate developer Ying Li International Real Estate Limited (managed by the Real Estate Fund management team), the acquisition of the majority of shares in a US automotive testing systems company, Burke E. Porter (BEP) (managed by the M&A Fund management team), and an investment in Focus Media Holding Limited (managed by the Mezzanine Funds management team).

3. Through reasonable equity investments, invest in financial institutions that have the potential for long-term development. This provides CEL with good return on investment as well as synergies with its fund management business. CEL also seeks to consolidate and improve its operational capabilities so as to raise its overall income level. China Aircraft Leasing Group Holdings Limited (CALC), in which CEL has a 35.6% stake, is an important example of this philosophy.
4. Enhance its capital efficiency and improve cash flows through a treasury or wealth management model.

During the reporting period, the revenue of Principal Investment amounted to HK\$880 million, up by 33%; This business segment achieved a pre-tax profit of HK\$300 million, representing an decrease of 35% over the same period last year; interest income amounted to HK\$520 million, up 57.6% compared with the same period last year; dividend income increased substantially to HK\$390 million; by disposal of financial assets, the Group realised capital gain of HK\$250 million, decreased by 7.4%; and the Group recorded an unrealised loss of HK\$390 million due to market volatilities and policy restrictions on project exit channels. CEL's share of CALC's after-tax profit amounted to HK\$140 million.

Income of Principal Investment

(By nature of income)

(in HK\$100 million)

	2015	2014	Change
Commission income and service fees	0.3	0.6	-50%
Interest income	5.2	3.3	57.6%
Dividend income	3.9	1.1	254.5%
Other Net Income (realised gain)	2.5	2.7	-7.4%
Other Net Income (unrealised loss)	(3.9)	(1.5)	160%
Share of CALC's after-tax profit	1.4	1.2	16.7%

AIRCRAFT LEASING

CALC in which CEL has a 35.6% stake, delivered 19 aircraft in 2015, bringing its fleet size to 63 aircraft. During the reporting period, and based on equity accounting, CEL's share of CALC's after-tax profit amounted to HK\$140 million, representing an increase of 16.7% compared to the same period last year.

As the largest independent aircraft leasing company in China listed in Hong Kong CALC was included in the Hang Seng Global Composite Index and became a constituent stock of the Hang Seng Composite MidCap Index and the Hang Seng Composite SmallCap Index during the reporting period. During the same period, CALC was named “Aircraft Lessor of the Year” by Global Transport Finance (GTF), demonstrating its leading position in the industry.

CALC is now actively implementing two strategies:

1. Providing a full value-chain aircraft solution, the company is involved in the entire aircraft life cycle chain, covering the purchase of new aircraft, structured financing, leasing negotiations, leased asset management, fleet replacement, leaseback of old aircraft, aircraft disassembly and other value-added services. To facilitate this, CALC commenced construction work on an aircraft disassembly project in Harbin during the reporting period. Occupying a 300,000m² site, the project will provide aircraft disassembly, sales of spare parts, plane crash rescue, airframe customisation, aviation metal and non-metallic materials recycling, and many other services. It will also enable CALC to further expand into new revenue sources, optimise the surplus value of aging aircraft and strengthen relations with airline customers.
2. Implementing a globalisation strategy. The company plans to speed up its expansion into Asian, European and other markets to gradually achieve a balanced ratio of airline lessees in the Mainland and overseas. During the reporting period, CALC’s globalisation strategy was launched in full. The company continued to enter into agreements with new clients such as Air Macau, Pegasus Airlines (Turkey) and Jetstar Pacific Airlines (Vietnam), following an agreement with Air India. It also obtained a financing guarantee from the UK’s Export Credits Guarantee Department (European Export Credit Agency) for three aircrafts, and further expanded its international financing channels after securing financing from Bank of Korea for the first time.

STRATEGIC INVESTMENT

Everbright Securities

The securities market in mainland China was highly volatile in 2015. Faced with this challenge, Everbright Securities – in which CEL has a 29.16% stake – placed special emphasis on improving risk management and strengthening internal controls and building systems with a compliant, sound and stable operation. Revenues of various businesses increased substantially in 2015 compared to the same period last year. Based on equity accounting as per Everbright Securities’ financial statements, CEL’s share of Everbright Securities’ profit was HK\$3.04 billion in 2015, up 2.5 times over the same period last year. According to the Hong Kong Accounting Standards, by the end of 2015, the book value of CEL’s share of Everbright Securities’ was HK\$14.2 billion.

Everbright Securities was upgraded from Grade C Class C to Grade A Class A according to the “2015 Results of Classification of Securities” issued by the CSRC on 17 July 2015. The upgrade reflects the regulatory authority’s recognition of Everbright Securities’ compliance management and risk control. On 3 September 2015 Everbright Securities raised approximately RMB8 billion via a private placement (at RMB16.37/share) subscribed by seven investors, including Ping An-UOB Fund Management Company Limited, Caitong Fund Management Co., Ltd. and New China Fund Management Co., Ltd. CEL’s equity interest in Everbright Securities was diluted from 33.33% to 29.16%, and recorded a net gain on deemed disposal of interest in associated of HK\$1.32 billion.

EBS International, owned 51% and 49% by Everbright Securities and CEL respectively, performed well during the year. CEL’s share of EBS International’s profit was HK\$40 million based on equity accounting.

Everbright Bank

As at 31 December 2015, CEL holds 1.57 billion shares of China Everbright Bank Company Limited (“China Everbright Bank”), accounting for about 3.37% of China Everbright Bank’s A shares. CEL received an after-tax dividend income of HK\$330 million during the reporting period, up 3.1% from the same period in 2014. According to the Hong Kong Accounting Standards, the fair value of China Everbright Bank held by CEL was HK\$8 billion as at the end of 2015.

PROSPECTS

Outlook on the External Environment

Looking ahead to 2016, unemployment in the US is expected to see further improvement, with higher inflation on the horizon and the economy getting back on a growth track. The Eurozone is expected to see only moderate recovery on continued accommodative monetary policy, but geopolitical risks may still have a significant impact on the Euro. In Japan, growth remains sluggish and the current inflation rate is far below the target level, and therefore, there will be little alternative but to maintain or even strengthen the quantitative easing monetary policy.

From the macroeconomic perspective, although China will be a major driving force of global economic growth, the Chinese government will continue to promote economic restructuring and the downward pressure may increase further. It is expected that active fiscal policies to remain in force in 2016, and the change from business tax to value-added tax, local government debt replacement and special-purpose financial bonds may well become major drivers of steady growth.

With the continued implementation of exchange rate reforms for the RMB, the Chinese currency's two-way fluctuations are set to increase. As a result, Mainland investors will see growing demand for diversifying currency risks, outbound investment and other cross-border asset management services. As such, 2016 will witness a rising trend of Chinese enterprises and capital "going global".

Meanwhile, guided by policy initiatives such as RMB internationalisation and "One Belt, One Road", capital account liberalisation will likely become the future direction. China's regulatory authorities proactively put in place a number of initiatives to facilitate cross-border investments and fund flows, including Shanghai-Hong Kong Stock Connect, Mainland-Hong Kong Mutual Recognition of Funds, RQDII, RQFII, QDLP, Shanghai Free Trade Zone and Qianhai, and is set to implement more programmes, such as Shenzhen-Hong Kong Stock Connect and QDII2, to further support cross-border investments.

However, against a background of economic uncertainties, there is a chance when the regulatory authorities choose to exercise control over fund flows under capital accounts, which will temporarily and sporadically affect cross-border investment business. CEL will actively response when it takes place.

Our Strategy

Judging by the external environment, we believe that 2016 will be a year of challenges. However, as the trend of RMB internationalisation and Chinese capital "going global" is expected to remain unchanged, CEL, with its commitment to cross-border asset management, will see more opportunities. In light of its own development conditions, we will concentrate on resource allocations mainly along the following ways in 2016:

1. Capturing investment opportunities from the "going global" trend and maintaining good post-investment management: After years of investment, CEL now has a number of quality overseas post-investment management projects, with a first-mover advantage that enables it to capitalise on opportunities from the "going global" trend. In 2016 CEL will provide value-added post-investment services for its overseas assets and projects, and accelerate to set up a global M&A fund.

2. Further expanding fundraising and development channels in mainland China. Given the increasing two-way fluctuations of the RMB exchange rates, demand for cross-border asset allocations among institutional investors and HNWI's in the Mainland will grow. The FoF Fund model launched in 2015 reflects CEL's ability to provide tailored solutions for its clients as a one-stop financial service provider. Meanwhile, CEL will seek cooperative opportunities to cooperate with sister companies in China Everbright Group, while expediting work on improving the sales team in mainland China and further strengthening its fundraising capability.
3. Disposing of mature investment projects according to the guidance of regulatory authorities: According to Several Provisions on Shareholding Reduction by Major Shareholders, Directors, Supervisors and Senior Management of Listed Companies, issued by the CSRC in January 2016, CEL will, in strict accordance with the relevant guidance, reinstate the procedures for exiting a number of investment projects in order to divest from some of its matured projects in a lawful, transparent and orderly manner.

In conclusion, in 2016, Mainland China will remain the key market for CEL in its quest for funds and partners. Riding on the growing demand among major institutions in mainland China for larger allocations of quality USD assets in overseas markets, CEL will further expand its product line to target overseas assets and as a result enrich its product portfolio. This will help create a cross-border investment and asset management platform underlined by leading core competencies, one that is capable of generating strong growth, high returns and steady incomes.

FINANCIAL POSITION

As at 31 December 2015, the Group's total assets amounted to HK\$65.3 billion with net assets amounting to HK\$42.9 billion. Net asset value per share attributable to equity shareholders of the Group was HK\$23.4 per share, representing an increase of 13% as compared to HK\$20.7 per share as at the end of 2014. As at 31 December 2015, The Group's interest-bearing debt ratio increased to 33.8% compared with 25.2% as at 30 June 2015.

FINANCIAL RESOURCES

The Group adopts a prudent approach to cash and financial management to ensure proper risk control and low cost funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 31 December 2015, the Group had cash and bank balances of HK\$4.7 billion, representing an increase of HK\$0.2 billion as compared to HK\$4.5 billion at the end of 2014. Currently, most of the Group's cash, representing 90%, is denominated in Hong Kong dollars and Renminbi.

BORROWING

The Group is dedicated to improving banking facilities to reserve capital to support its business development. As at 31 December 2015, the Group had outstanding borrowings of HK\$13.45 billion, representing an increase of HK\$4.9 billion as compared to HK\$8.6 billion at the end of 2014. The borrowings as at 31 December 2015 included secured interest-bearing borrowings of HK\$40 million and unsecured interest-bearing borrowings of HK\$13.41 billion. The borrowings are mainly denominated in Renminbi, representing about 19% of the total, and the remaining is denominated in US and Hong Kong dollars. Most of the borrowings are at floating rates. As at 31 December 2015, the Group had banking facilities of HK\$17 billion, of which HK\$3.55 billion have not been utilised. The banking facilities are of 1 to 5 years terms.

PLEDGE OF ASSETS

As at 31 December 2015, no fixed deposits was pledged to secure banking facilities.

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 2015, assets deposited with the prime brokers include HK\$0.64 billion and HK\$0.28 billion which form part of the Group trading securities and debtors respectively.

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.

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 end of the reporting period date, the Group did not have a significant concentration of credit risk other than the provision of advances to customers which are secured by listed and unlisted securities, or leasehold land in mainland China with third parties guarantees of HK\$3,343 million (2014: HK\$2,836 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 end of the reporting period date deducting any impairment allowance. Except for the corporate guarantee set out in note 20, 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 end of the reporting period date amounted to HK\$2,550 million (2014: HK\$875 million).

(b) *Liquidity risk*

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

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

(c) *Interest rate risk*

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

(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, Singapore dollars or Renminbi, management is aware of the likely increase in volatility in these currencies and takes a balanced view when considering the management of currency risk.

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

(e) *Equity price risk*

The Group is exposed to equity price changes arising from equity investments classified as trading securities, available-for-sale securities (see note 10) and financial assets designated as fair value through profit or loss (see note 11). 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.

CONTINGENT LIABILITIES

As at 31 December 2015, the Company issued financial guarantees to 2 subsidiaries. The Board does not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 31 December 2015 for the provision of the guarantees related to the facilities drawn down by the subsidiaries was HK\$2,550 million.

EMPLOYEES

As at 31 December 2015, the Group had 279 employees. Total staff costs for the period under review amounted to approximately HK\$362 million as noted in the consolidated income statement. The Group ensures that the remuneration packages for employees are fair and competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Discretionary year end bonus may also be paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme and training programmes.

By order of the Board
China Everbright Limited
Chen Shuang

Executive Director and Chief Executive Officer

Hong Kong, 23 March 2016

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

Executive Directors

Mr. Tang Shuangning (*Chairman*)

Dr. Liu Jun (*Deputy Chairman*)

Mr. Chen Shuang (*Chief Executive Officer*)

Mr. Tang Chi Chun, Richard

Mr. Jiang Yuanzhi

Independent Non-executive Directors

Mr. Seto Gin Chung, John

Dr. Lin Zhijun

Dr. Chung Shui Ming, Timpson

Non-executive Director

Mr. Wang Weimin