光大控股
EVERBRIGHT

CHINA EVERBRIGHT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 165)

ANNOUNCEMENT
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The Directors of China Everbright Limited (the "Company") hereby announce that the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008 are as follows:–

Consolidated Income Statement
For the year ended 31 December 2008

	Note	**2008** *HK$'000*	2007 *HK$'000* (Restated)
Turnover	*3*	**4,143,448**	4,584,025
Operating income	*3*	**343,354**	730,844
Other net income	*3*	**997,571**	1,502,031
Staff costs		**(210,745)**	(299,287)
Depreciation and amortisation expenses		**(10,376)**	(7,082)
Impairment loss on available-for-sale securities		**(260,091)**	–
Other operating expenses		**(149,413)**	(171,307)
Profit from operations		**710,300**	1,755,199
Finance costs		**(6,921)**	(122,780)
Gain on deemed disposal of interest in associates		**–**	924,503
Share of profits less losses of associates		**480,185**	2,906,226
Profit before taxation		**1,183,564**	5,463,148
Income tax	*4*	**(208,967)**	(197,724)
Profit after taxation		**974,597**	5,265,424
Attributable to:			
Shareholders of the Company		**1,014,832**	5,005,592
Minority interests		**(40,235)**	259,832
		974,597	5,265,424
Appropriations:			
Dividends attributable to the year:	*5*		
Interim dividend per share paid		**HK$0.08**	–
Final dividend per share proposed		**HK$0.12**	HK$0.10
Earnings per share	*6*		
– Basic		**HK$0.639**	HK$3.169
– Diluted		**HK$0.637**	HK$3.144

Consolidated Balance Sheet
As at 31 December 2008

	Note	31 December 2008 HK$'000	31 December 2007 HK$'000
Non-current assets			
Fixed assets		**277,541**	271,280
Investments in associates	7	**4,888,791**	4,470,959
Available-for-sale securities	8	**4,082,180**	9,045,828
Financial assets designated at fair value through profit or loss	9	**196,503**	665,434
Intangible assets		**6,191**	1,250
		9,451,206	14,454,751
Current assets			
Advances to customers	10	**660,928**	1,600,458
Debtors, deposits and prepayments	11	**428,287**	1,346,319
Trading securities		**96,784**	1,057,748
Cash and cash equivalents		**4,418,671**	1,826,923
		5,604,670	5,831,448
Current liabilities			
Creditors, deposits received and accrued charges	12	**(275,061)**	(815,107)
Trading securities		**(421,052)**	(542,207)
Amounts due to associates		**(438)**	(438)
Amount due to ultimate holding company		**(63)**	–
Provision for taxation		**(533,117)**	(489,055)
		(1,229,731)	(1,846,807)
Net current assets		**4,374,939**	3,984,641
Total assets less current liabilities		**13,826,145**	18,439,392
Non-current liabilities			
Notes payable		**(75,959)**	(42,787)
Deferred tax liabilities		**(250,298)**	(899,021)
		(326,257)	(941,808)
NET ASSETS		**13,499,888**	17,497,584
CAPITAL AND RESERVES			
Share capital	13	**1,591,012**	1,584,704
Reserves		**11,608,081**	14,774,268
Total equity attributable to shareholders of the Company		**13,199,093**	16,358,972
Minority interests		**300,795**	1,138,612
TOTAL EQUITY		**13,499,888**	17,497,584

Consolidated Statement of Changes in Equity
For the year ended 31 December 2008

	Attributable to the shareholders of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Option premium reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Goodwill reserve *HK$'000*	Capital reserve *HK$'000*	Exchange reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
As at 1 January 2008	1,584,704	5,692,367	14,451	5,796,646	2,984	(924,395)	109,714	287,880	3,794,621	16,358,972	1,138,612	17,497,584
Exchange rate adjustments	–	–	–	–	–	–	–	25,831	–	25,831	(1,560)	24,271
Deficit on revaluation, net of deferred tax	–	–	–	(2,205,826)	–	–	–	–	–	(2,205,826)	(282,330)	(2,488,156)
Release upon impairment of available-for-sale securities	–	–	–	37,568	–	–	–	–	–	37,568	–	37,568
Share options forfeited	–	–	(50)	–	–	–	–	–	50	–	–	–
Shares issued under share option scheme	6,308	25,863	(9,516)	–	–	–	–	–	–	22,655	–	22,655
Release upon disposal of available-for-sale securities	–	–	–	(1,707,639)	–	–	–	–	–	(1,707,639)	(169,668)	(1,877,307)
Increase in exchange reserve on interest in associates	–	–	–	–	–	–	–	272,438	–	272,438	–	272,438
Share of investment revaluation reserve of associate	–	–	–	(334,790)	–	–	–	–	–	(334,790)	–	(334,790)
Net divestment by minority shareholders	–	–	–	–	–	–	–	–	–	–	(344,024)	(344,024)
Equity settled share-based transactions	–	–	1,160	–	–	–	–	–	–	1,160	–	1,160
Dividends paid	–	–	–	–	–	–	–	–	(286,108)	(286,108)	–	(286,108)
Profit for the year	–	–	–	–	–	–	–	–	1,014,832	1,014,832	(40,235)	974,597
As at 31 December 2008	1,591,012	5,718,230	6,045	1,585,959	2,984	(924,395)	109,714	586,149	4,523,395	13,199,093	300,795	13,499,888
Representing:												
Company and subsidiaries	1,591,012	5,718,230	6,045	1,592,670	2,984	(924,395)	10,000	33,269	1,508,322	9,538,137	300,795	9,838,932
Associates	–	–	–	(6,711)	–	–	99,714	552,880	3,015,073	3,660,956	–	3,660,956
As at 31 December 2008	1,591,012	5,718,230	6,045	1,585,959	2,984	(924,395)	109,714	586,149	4,523,395	13,199,093	300,795	13,499,888

	Attributable to the shareholders of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Option premium reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Goodwill reserve *HK$'000*	Capital reserve *HK$'000*	Exchange reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
As at 1 January 2007	1,569,003	5,641,148	28,702	1,097,537	2,984	(3,672,032)	109,714	62,602	1,535,662	6,375,320	254,847	6,630,167
Exchange rate adjustments	–	–	–	–	–	–	–	4,918	–	4,918	–	4,918
Surplus on revaluation, net of deferred tax	–	–	–	4,686,933	–	–	–	–	–	4,686,933	560,332	5,247,265
Share options forfeited	–	–	(1,004)	–	–	–	–	–	1,004	–	–	–
Shares issued under share option scheme	15,701	51,219	(20,162)	–	–	–	–	–	–	46,758	–	46,758
Release upon disposal of available-for-sale securities	–	–	–	(298,803)	–	–	–	–	–	(298,803)	–	(298,803)
Increase in exchange reserve on interest in associates	–	–	–	–	–	–	–	247,234	–	247,234	–	247,234
Share of investment revaluation reserve of associate	–	–	–	278,730	–	–	–	–	–	278,730	–	278,730
Net investment by minority shareholders	–	–	–	–	–	–	–	–	–	–	63,601	63,601
Equity settled share-based transactions	–	–	6,915	–	–	–	–	–	–	6,915	–	6,915
Release upon deemed disposal of an associate	–	–	–	32,249	–	2,747,637	–	(26,874)	(2,747,637)	5,375	–	5,375
Profit for the year	–	–	–	–	–	–	–	–	5,005,592	5,005,592	259,832	5,265,424
As at 31 December 2007	1,584,704	5,692,367	14,451	5,796,646	2,984	(924,395)	109,714	287,880	3,794,621	16,358,972	1,138,612	17,497,584
Representing:												
Company and subsidiaries	1,584,704	5,692,367	14,451	5,468,567	2,984	(924,395)	10,000	7,438	1,259,733	13,115,849	1,138,612	14,254,461
Associates	–	–	–	328,079	–	–	99,714	280,442	2,534,888	3,243,123	–	3,243,123
As at 31 December 2007	1,584,704	5,692,367	14,451	5,796,646	2,984	(924,395)	109,714	287,880	3,794,621	16,358,972	1,138,612	17,497,584

Consolidated Cash Flow Statement
For the year ended 31 December 2008

	2008	2007
	HK$'000	*HK$'000*
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**1,541,645**	(952,342)
INVESTING ACTIVITIES		
Purchase of fixed assets	**(14,913)**	(15,877)
Proceeds from disposal of fixed assets	**7,304**	3
(Increase)/decrease in deposits pledged	**(191,945)**	168,099
Purchase of available-for-sale securities	**(577,760)**	(41,567)
Purchase of financial assets designated at fair value through profit or loss	**–**	(36,250)
Net cash paid on acquisition of subsidiaries	**(613)**	–
Proceeds from disposal of subsidiaries	**25**	244,655
Proceeds from disposal of available-for-sale securities	**1,879,303**	687,085
Proceeds from disposal of financial assets designated at fair value through profit or loss	**208,449**	–
Bank interest received	**50,490**	73,949
Dividends from investments in securities	**38,169**	71,015
NET CASH INFLOW FROM INVESTING ACTIVITIES	**1,398,509**	1,151,112
NET CASH INFLOW BEFORE FINANCING ACTIVITIES	**2,940,154**	198,770
FINANCING ACTIVITIES		
Issue of ordinary shares	**22,655**	46,758
Issues of shares in subsidiaries to minority shareholders	**76,761**	311,300
Redemption of shares by minority shareholders	**(328,225)**	(247,699)
Repayment of loans from ultimate holding company	**–**	(439,773)
Dividend paid to minority shareholders	**(133,012)**	(50,706)
Loans from minority shareholders	**62,909**	–
Dividends paid	**(286,108)**	–
Issue of notes	**49,999**	–
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(535,021)**	(380,120)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**2,405,133**	(181,350)
CASH AND CASH EQUIVALENTS		
Beginning of year	**1,446,953**	1,606,296
Exchange rate adjustments	**(5,330)**	22,007
End of year	**3,846,756**	1,446,953
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash – general accounts	**4,418,671**	1,826,923
Deposits pledged	**(571,915)**	(379,970)
End of year	**3,846,756**	1,446,953
Cash flow from operating activities includes:		
Interest received on advances to customers and others	**86,965**	274,939

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 2007 annual financial statements. The financial information set out in this report does not constitute the Group's statutory financial statements for the year ended 31 December 2008, but is derived from those financial statements.

2. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company. However, none of those developments are relevant to the Group's operations.

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

3. OPERATING INCOME AND OTHER NET INCOME

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

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
Operating income		
Brokerage commission and service income	**168,802**	311,088
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	**48,305**	71,514
– advances to customers	**68,415**	239,863
– others	**18,550**	35,076
Dividend income from		
– listed investments	**33,877**	62,454
– unlisted investments	**4,269**	9,200
Gross rental income from investment properties	**1,136**	1,649
	343,354	730,844
Other net income		
Net realised (loss)/gain on trading securities		
– equity securities	**(339,036)**	658,850
– debt securities	**151**	442
– derivatives and others	**315,336**	(341,766)
	(23,549)	317,526
Net unrealised (loss)/gain on trading investments		
– equity securities	**(77,050)**	79,383
– derivatives	**(275,443)**	(225,603)
Net gain on disposal of available-for-sale securities	**1,590,357**	610,149
Realised (loss)/gain on financial assets designated at fair value through profit or loss	**(4,880)**	215,632
Unrealised (loss)/gain on revaluation of financial assets designated at fair value through profit or loss	**(252,515)**	192,428
Gain on disposal of fixed assets	**2,220**	–
Gain on disposal of subsidiaries	**25**	228,865
Unrealised gain on notes payable	**16,827**	56,786
Exchange (loss)/gain, net	**(966)**	20,058
Net surplus on revaluation of investment properties	**6,001**	2,400
Recovery of doubtful debts previously written off	**2,298**	2,369
Others	**14,246**	2,038
	997,571	1,502,031

In prior years, the gross sale proceeds from disposal of trading securities formed a component of 'turnover' while the corresponding investment cost was classified as 'cost of sales'. After consideration of the preferred presentation under 'Hong Kong Accounting Standards 39 Financial Instruments: Recognition and Measurement', the 'net gain or loss on disposal of trading securities' is presented as other net income in the income statement instead of the 'gross sale proceeds from disposal'. In line with this change, the net unrealised gain or loss on trading investments is reclassified as other net income. These changes in presentation do not have any impact on the Group's financial results. The 2007 comparative figures were restated accordingly.

Turnover represents the aggregate gross sale proceeds from disposal of trading securities, brokerage commission and service income, interest income, dividend income and gross rental income from investment properties.

4. INCOME TAX

The provision for Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is calculated at the appropriate current rates of taxation in the relevant countries.

The amount of taxation charged to the consolidated income statement represents:

	2008 ***HK\$'000***	2007 *HK\$'000*
Company and subsidiaries		
Current taxation		
– Hong Kong profits tax	**180,245**	145,999
– Overseas taxation	**22,277**	50,021
– Under/(over) provision in respect of Hong Kong profits tax in prior years	**460**	(133)
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	**5,985**	1,837
	208,967	197,724

5. DIVIDENDS

(a) Dividends attributable to the year

	2008 ***HK\$'000***	2007 *HK\$'000*
– Interim dividend declared and paid of HK\$0.08 (2007: Nil) per share	**127,190**	–
– Final dividend proposed after the balance sheet date of HK\$0.12 (2007: HK\$0.10) per share	**190,979**	158,841
	318,169	158,841

The directors proposed a final dividend of HK\$0.12 per share (2007: HK\$0.10 per share). The proposed dividends are not reflected as dividend payable in the financial statements.

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

	2008	2007
	HK$'000	*HK$'000*
– Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.10 per share (2007 : Nil)	**158,918**	–

6. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK$1,014,832,000 (2007: HK$5,005,592,000) and the weighted average number of 1,589,144,384 shares (2007: 1,579,314,372 shares) in issue during the year, calculated as follows:

Weighted average number of shares

	2008	2007
Issued shares at 1 January	**1,584,704,212**	1,569,003,212
Effect of share options exercised	**4,440,172**	10,311,160
	1,589,144,384	1,579,314,372

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of HK$1,014,832,000 (2007: HK$5,005,592,000) and the weighted average number of 1,593,740,950 shares (2007: 1,591,946,205 shares), calculated as follows:

Weighted average number of shares (diluted)

	2008	2007
Weighted average number of shares at 31 December	**1,589,144,384**	1,579,314,372
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**4,596,566**	12,631,833
	1,593,740,950	1,591,946,205

7. INVESTMENTS IN ASSOCIATES

(a) Investments in associates:

	2008	2007
	HK$'000	*HK$'000*
Investments, at cost		
Unlisted shares in		
– Hong Kong	**40,458**	40,458
– Overseas	**1,784,460**	1,784,460
Share of post-acquisition reserves	**3,912,213**	3,494,381
	5,737,131	5,319,299
Less:		
Provision for impairment charged against investment costs	**(165,548)**	(165,548)
Goodwill on acquisition	**(682,792)**	(682,792)
Carrying value, net	**4,888,791**	4,470,959

(b) As at 31 December 2008, particulars of the principal associate of the Group are as follows:

Name of associate	**Place of incorporation/ operation**	**Principal activities**	**Percentage of equity interest held directly**
Everbright Securities Company Limited ("Everbright Securities")	PRC	Securities operations	39.31%

For the year ended 31 December 2008, Everbright Securities has recorded an after tax profit of RMB1.11 billion (according to Hong Kong Financial Reporting standards) and the Group's share of profit, under equity accounting method, amounted to HK$480 million.

The application for initial public offering and listing of Everbright Securities was approved by the China Securities Regulatory Commission Public Offering Review Committee on 30 June 2008.

8. AVAILABLE-FOR-SALE SECURITIES

	2008	2007
	HK$'000	*HK$'000*
Listed equity securities at fair value:		
Listed in Hong Kong	**87,539**	2,494,642
Listed in Mainland China	**931,683**	2,715,673
Unlisted equity securities	**3,062,958**	3,835,513
	4,082,180	9,045,828

Realised gains on disposal of certain available-for-sale securities are subject to the payment of an incentive project bonus to an investment team (see Note 15b).

The Group held the following principal available-for-sale security as at 31 December 2008:

Company name	**Place of incorporation**	**Principal activities**	**Effective equity interest held by the Group**
China Everbright Bank Company Limited ("Everbright Bank")(i)	PRC	Banking operations	6.23%

(i) At 31 December 2008, the carrying value of interests in Everbright Bank exceeded 10% of total assets of the Group.

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

	2008	2007
	HK$'000	*HK$'000*
At fair value:		
Hong Kong listed equity securities	**46,111**	277,473
Overseas unlisted equity securities	**144,120**	373,303
Overseas unlisted convertible preference shares	**6,272**	14,658
	196,503	665,434

Realised gains on disposal of certain financial assets are subject to the payment of an incentive project bonus to an investment team (see Note 15b).

10. ADVANCES TO CUSTOMERS

	2008	2007
	HK$'000	*HK$'000*
Term loans to customers	**344,202**	241,898
Amounts due from margin clients	**326,549**	1,364,417
	670,751	1,606,315
Less: Impairment loss provision	**(9,823)**	(5,857)
	660,928	1,600,458

Term loans are secured either (a) by unlisted bonds issued by reputable financial institutions held as collateral or (b) by leasehold land in Mainland China. Amounts due from margin clients are secured by listed securities pledged by margin clients held as collateral. An ageing analysis is as follows:

	2008	2007
	HK$'000	*HK$'000*
Repayable on demand	**414,196**	1,542,150
Over 3 months to 1 year	**29,675**	64,165
1 to 5 years	**226,880**	–
	670,751	1,606,315

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	2008 *HK$'000*	2007 *HK$'000*
Accounts receivable, net	**371,287**	1,112,944
Deposits, prepayments and other receivables	**57,000**	233,375
	428,287	1,346,319

Details of the ageing analysis on accounts receivables are as follows:

	2008 *HK$'000*	2007 *HK$'000*
Within 1 month	**369,211**	1,104,229
Within 1 to 2 months	**540**	5,770
Within 2 to 3 months	**264**	1,292
Within 3 to 6 months	**749**	899
Over 6 months	**5,599**	1,590
	376,363	1,113,780
Less: Impairment loss provision	**(5,076)**	(836)
	371,287	1,112,944

Accounts receivable mainly comprise amounts due from brokerage clients, investment banking clients, brokers and clearing houses. These receivables, except for investment banking receivables which are due on issuance of invoice, are normally due two days after trade day. The extension of credit requires management's approval on a case-by-case basis.

12. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2008 *HK$'000*	2007 *HK$'000*
Accounts payable	**195,066**	605,621
Other creditors, deposits received and accrued charges	**79,995**	209,486
	275,061	815,107

Accounts payable are all due within one month and comprise principally amounts due to brokerage clients, brokers and clearing houses.

13. SHARE CAPITAL

	2008 *HK$'000*	2007 *HK$'000*
Authorised:		
Ordinary shares of HK$1.00 each	**2,000,000**	2,000,000
Issued and fully paid:		
At 1 January	**1,584,704**	1,569,003
Exercise of share options	**6,308**	15,701
At 31 December	**1,591,012**	1,584,704

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

14. SEGMENT INFORMATION

(a) Business segments

The Group conducts the majority of its business activities in three areas: short-term investments, financial services and long-term investments plus other operations. An analysis by business segment is as follows:

	Short-term investments		Financial services		Long-term investments and others		Inter-segment elimination		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)
OPERATING INCOME & OTHER NET INCOME										
Investment income	**(583,028)**	793,501	**8,259**	3,651	**236,873**	(554,192)	**–**	–	**(337,896)**	242,960
Interest income	**38,415**	56,112	**91,148**	277,912	**5,707**	12,429	**–**	–	**135,270**	346,453
Commission and service income	**157,669**	5,321	**168,802**	311,088	**–**	–	**(157,669)**	(5,321)	**168,802**	311,088
Net gain on disposal of available-for-sales securities	**–**	–	**–**	–	**1,590,357**	610,149	**–**	–	**1,590,357**	610,149
Realised (loss)/gain on financial assets designated at fair value through profit or loss	**–**	–	**–**	–	**(4,880)**	215,632	**–**	–	**(4,880)**	215,632
Unrealised (loss)/gain on valuation of financial assets designated at fair value through profit or loss	**–**	–	**–**	–	**(252,515)**	192,428	**–**	–	**(252,515)**	192,428
Gain on disposal of subsidiaries	**–**	–	**–**	–	**25**	228,865	**–**	–	**25**	228,865
Other income	**5,731**	2,985	**7,904**	3,088	**28,127**	79,227	**–**	–	**41,762**	85,300
Total operating income and other net income	**(381,213)**	857,919	**276,113**	595,739	**1,603,694**	784,538	**(157,669)**	(5,321)	**1,340,925**	2,232,875
RESULTS										
Segment results	**(550,527)**	854,482	**107,168**	366,257	**1,201,558**	777,768	**–**	–	**758,199**	1,998,507
Unallocated corporate expenses									**(47,899)**	(243,308)
Operating profit									**710,300**	1,755,199
Finance costs									**(6,921)**	(122,780)
Gain on deemed disposal of interests in an associate									**–**	924,503
Share of profits less losses of associates									**480,185**	2,906,226
Income tax									**(208,967)**	(197,724)
Profit after taxation									**974,597**	5,265,424
OTHER INFORMATION										
Segment assets	**2,238,838**	2,862,769	**2,334,750**	2,796,484	**5,536,615**	10,053,443	**(7,512)**	(5,327)	**10,102,691**	15,707,369
Investment in associates									**4,888,791**	4,470,959
Unallocated corporate assets									**64,394**	107,871
Total assets									**15,055,876**	20,286,199
Segment liabilities	**442,707**	210,395	**195,417**	700,332	**95,959**	493,270	**(7,512)**	(5,327)	**726,571**	1,398,670
Unallocated corporate liabilities									**829,417**	1,389,945
Total liabilities									**1,555,988**	2,788,615
Capital expenditures	**2,470**	100	**–**	–	**13,250**	15,777	**–**	–	**15,720**	15,877
Depreciation and amortisation expenses	**737**	665	**249**	377	**9,390**	6,040	**–**	–	**10,376**	7,082

(b) Geographical segments

	For the year ended 31 December 2008			For the year ended 31 December 2007		
	Hong Kong	**China Mainland**	**Total**	Hong Kong	China Mainland	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
				(restated)	(restated)	(restated)
Segment operating income and other net income						
Operating income	**316,181**	**27,173**	**343,354**	728,222	2,622	730,844
Other net income	**567,783**	**429,788**	**997,571**	788,878	713,153	1,502,031
	883,964	**456,961**	**1,340,925**	1,517,100	715,775	2,232,875

	As at 31 December 2008			As at 31 December 2007		
	Hong Kong	**China Mainland**	**Total**	Hong Kong	China Mainland	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**5,399,567**	**4,703,124**	**10,102,691**	8,192,537	7,514,832	15,707,369
Additions to fixed assets	**12,380**	**3,340**	**15,720**	15,780	97	15,877

15. CONTINGENT LIABILITIES

(a) Corporate guarantee

	2008	2007
	HK$'000	*HK$'000*
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	**170,000**	170,000

As at 31 December 2008 and 31 December 2007, the Group's subsidiaries did not utilise any of its banking facilities.

As at 31 December 2008 and 31 December 2007, the Company had issued corporate guarantees to certain financial institutions for trading facilities granted to a subsidiary engaged in leveraged foreign exchange trading and other subsidiaries which carry out derivatives transactions. The guarantee amounts vary and are dependent on the volume of transactions effected with the financial institutions.

(b) Incentive payment

According to an Incentive Agreement dated and announced on 25 May 2007, the Group is obligated to pay an incentive project bonus to an Investment Team (in which all the individual members are employees of the Group) upon the realisation of each project, whether in whole or in part, under SeaBright China Special Opportunities (I) Limited, in which the Group has a 78.9% equity interest. The amount of the incentive project bonus payable under the agreement is equal to 15% of the profit realised from the disposal of those investments, plus the related amount of advisor fee income received less certain attributable project expenses and the investment team's operating expenses. The incentive project bonus is recognised upon the realisation of the relevant project. As at 31 December 2008, the accumulated unrealised gains associated with the relevant projects amounted to HK$902 million (2007: HK$3.91 billion). If all relevant projects were disposed of on 31 December 2008 at their fair value, the amount of the incentive project bonus payable to the Investment Team would be approximately HK$109 million (2007: HK$480 million).

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.12 per share for 2008 (2007: HK$0.10 per share). Together with the interim dividend of HK$0.08 per share, the aggregate dividend for the year is HK$0.20 per share (2007: HK$0.10 per share).

The final dividend, subject to shareholders' approval at the forthcoming Annual General Meeting, is expected to be paid on or about Tuesday, 26 May 2009 to those shareholders whose names appeared on the register of members of the Company on Friday, 8 May 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 8 May 2009 to Wednesday, 13 May 2009 (both days inclusive), during which period no transfers of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 7 May 2009.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Taishan Room, Level 5, Island Shangri-La, Pacific Place, Supreme Court Road, Central, Hong Kong at 10:00 a.m. on Wednesday, 13 May 2009.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's securities during the year.

CORPORATE GOVERNANCE

The Board would like to announce that the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2008.

COMPLIANCE WITH MODEL CODE

The Company has adopted a "Code for Securities Transactions by Directors" (the "Code") which is no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in 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 said Code and the Model Code for the year ended 31 December 2008.

AUDIT AND RISK MANAGEMENT COMMITTEE

During the year, the Audit and Risk Management Committee comprised Mr. Ng Ming Wah, Charles, Mr. Seto Gin Chung, John and Dr. Lin Zhijun. The Committee is chaired by Mr. Ng Ming Wah, Charles. All members of the Committee are independent non-executive directors.

The Audit and Risk Management Committee had reviewed with management and KPMG, the Company's auditors, the accounting principles and practices adopted by the Group, and discussed the auditing, internal control and financial reporting matters including reviewing the audited financial statements of the Group for the year ended 31 December 2008.

REMUNERATION COMMITTEE

Effective on 1 January 2009, Mr. Zang Qiutao replaced Mr. Tang Shuangning as the Chairman of the Remuneration Committee. The Remuneration Committee currently has four members comprising Mr. Zang Qiutao, Deputy Chairman of the Board, and three independent non-executive directors, namely, Mr. Ng Ming Wah, Charles, Mr. Seto Gin Chung and Dr. Liu Zhijun.

By order of the Board
Chen Shuang
Chief Executive Officer

Hong Kong, 26 March 2009

CHAIRMAN'S STATEMENT

Against a rapidly deteriorating business environment in the wake of volatility and uncertainties in the global financial market, the Group sustained healthy development in 2008 thanks to persistence in its stated strategies, stringent risk controls and prudence in business operation. Credit is also due the shrewd decisions of the Board and the concerted efforts of our dedicated staff.

We underwent a year of severe challenges in 2008. Developed countries were facing recession while demand in emerging markets lost steam as the effect of the international financial crisis rippled through day-to-day economic activities, resulting in significantly undermined momentum for economic growth. In China, the Central Government addressed the global financial crisis and the aftermath of the devastating natural calamities in a composed manner, while enjoying huge success in hosting the Beijing Olympic Games. Steady economic growth was sustained, as was social harmony and stability. The Central Government implemented bold measures to stimulate domestic demand in response to the new challenge posed by slowing domestic economic growth and weakened demand from the international market. A pro-active fiscal policy and a moderately relaxed monetary policy were adopted and initial results have been encouraging. In Hong Kong, the SAR Government introduced timely measures to enhance social and economic stability as the local economy took a dive with rising unemployment and plunging stock and property markets.

To face the challenge, the Group adhered to its strategy of developing "large scale asset management business". Complemented by its fee-based business, the Group committed to its primary businesses of asset management and fund management to establish itself as an integrated investment bank. The Group made certain timely divestment at the beginning of the year and adopted measures for risk hedging purposes. As a result, its business remained stable and operating costs were well controlled with no bank borrowings. The Group seized the opportunity to exit from two direct investments at an opportune time and generated a substantial gain. Furthermore, we successfully set up a platform for real estate investment management in the Mainland by acquiring "ALAM" at a reasonable price. For the Investment Banking Division, the Group completed sponsorships for two successful IPO listings on the Main Board in Hong Kong despite the adverse market sentiment. Under the impact of the exterior environment, income and profit of the Group inevitably declined in 2008. However, we still recorded profit attributable to shareholders of HK$1.015 billion, representing a decrease of HK$4 billion compared to that of 2007. A final dividend of HK$0.12 per share (2007: HK$0.10 per share) was recommended.

Everbright Securities, whose shares are held by the Group, ranked within the top 10 among its peers in terms of major business indicators, due to its smooth operation. Its A-share listing application had been reviewed by the China Securities Regulatory Commission ("CSRC") and was rated as a "Grade A, Category AA", currently the highest rating for brokerage firms. Everbright Securities obtained the qualification for a number of innovative businesses and its margin trading and short-selling businesses passed the test conducted by the CSRC. During the year, the asset management division under Everbright Securities made solid progress in terms of operations and its collective wealth management products secured a leading position in the industry.

Everbright Bank, whose shares are held by the Group, reported its best results since commencing business 16 years ago. The quality of the bank's assets was remarkably enhanced with earnings increased and capital sufficiency rate up to par upon completion of the disposal of its historical non-performing assets in bulk. During the period, Everbright Bank submitted its A-Share IPO application to the CSRC.

Looking forward, we will still face substantial challenges in 2009. The worst of the international financial crisis is yet to come and new issues might surface to pose severe threats to the global financial markets. Although there is short-term difficulty for the economy of Mainland China, the fundamental trend of economic development remains unchanged, which augurs well for Hong Kong as well as the world.

We have every confidence in our performance in 2009 as the Board and the management are now in a better position to seize the opportunities and manage the risk in the future given the sophisticated corporate governance framework in place, together with the improved financial position and the enhanced asset quality. The reform and reorganization of China Everbright Group, our parent company, as well as the steady and healthy growth of both Everbright Bank and Everbright Securities laid a solid foundation for the Group's sound and healthy development. Notwithstanding the challenges ahead in 2009, the Group will adhere to its stated development strategy and adopt proactive measures to manage its risks. With a view to establishing the Group as a renowned financial service platform in Mainland China and Hong Kong, we will strive hard to expand its portfolio of assets under management, diversify its business and enhance its corporate image.

Last but not least, I would like to express my sincere thanks to our shareholders, customers, all members of the Board, stakeholders, management and staff at all levels, whose support and dedication has been fundamental to the Group's achievement of satisfactory results during such difficult times.

Tang Shuangning
Chairman

Hong Kong, 26 March 2009

CHIEF EXECUTIVE OFFICER'S REPORT

Despite the harsh external environment in 2008, Everbright maintained healthy development under the leadership of the Board by adopting prudent and pragmatic management philosophy and flexible and efficient measures. The healthy financial positions and abundant cash provide opportunities for the Group to further develop during the market trough.

RESULTS OF THE GROUP

The global financial markets went through a very tough year in 2008. The financial tsunami triggered by the US subprime crisis sent shock waves around the world. The global financial markets dropped considerably and changed fundamentally. Although the financial systems have resumed stability to some degree in light of the rescue packages launched by various governments, the volatility in the financial markets has already dealt a severe blow to the real economy. Facing the rapidly deteriorating external environment, the Group managed to find opportunities to reduce market exposures and succeeded in mitigating the impact from the market downturn. For the year ended 31 December 2008, the Group's profit attributable to shareholders amounted to HK$1,015 million, a decrease of 80% compared to the same period last year, while its earnings per share was HK$0.639, a decrease of 80% compared with the same period last year.

HONG KONG OPERATIONS

In 2008, the Group's Hong Kong operations were affected by the adverse market conditions and suffered, but maintained a sound overall financial position. In addition to existing divisions of direct investment, asset management, investment banking and securities brokerage, the Group set up a new platform for asset investment. For 2008, the total operating income of the Group amounted to HK$343 million, representing a decrease of 53% compared with the same period last year. The profit before tax of our Hong Kong operations was HK$703 million, representing a decrease of 57%. Total outgoings reached HK$377 million, representing a decrease of 37%, of which staff costs accounted for HK$211 million, representing a decrease of HK$89 million compared with the same period last year. The decline was mainly due to reduction in staff incentive bonus, which was in line with the drop in financial results. Total cost-to-income ratio stood at 28.1%, representing an increase of 1.2% compared with 26.9% for the prior year.

Under the abruptly deteriorating external environment, the Group was still able to attain fairly satisfactory performance in its Hong Kong operations. It shows that the Group is capable of grasping market opportunities, and that its increasingly strong abilities in business development and risk control are paying off.

– Direct Investment Division continued to be the Group's main source of profits. The value of certain investments in listed companies dropped, its annual profit before tax was HK$390 million, a decrease of 49% over the corresponding period last year. The direct investment team has demonstrated its insight into the market. Seizing the opportunities in early 2008, Seabright China Special Opportunities (I) Limited ("SOF I"), which is managed by the Group, disposed of some of the investments held, locking in profits and realising a large amount of cash. China Special Opportunities Fund, L.P. ("CSOF") and the "parallel investment fund" are in their investment period. The investment team had considered hundreds of potential investment projects with a cautious and prudent approach during the year. While continuing to identify good investment opportunities, the team did not make any new investment and effectively avoided market risks. The businesses of the investee projects of SOF I and CSOF are performing well, one of which has been approved by the Stock Exchange of Hong Kong and looking for an opportunity to go public. However, the overall market dropped significantly. That caused impairment to the book value of some projects, which was taken through to the income statement. Those impairments were done according to the accounting standards and do not relate to any asset disposal or cash flow. During the period, the venture capital fund formed between the Group and Beijing Zhongguancun, and the venture investment company in Shenzhen, had explored market opportunities and invested in three projects.

– Dragon Fund, which is managed by the Asset Management Division, suffered from the persistent market downturn and recorded a significant loss in the first half of 2008. It responded quickly by installing a new management team and investing more prudently. It effectively reduced the market risks and basically broke even during the second half of the year, which was a even harsher period. For the year, the Asset Management Division recorded a loss of HK$150 million, compared to the profit of HK$304 million for the corresponding period last year. The size of Dragon Fund was HK$670 million as at the end of 2008 with a return rate of -23.5% for the period, outperforming the Hang Seng Index which registered a decline of 48.3% for the same period.

– To fully utilise our expertise and strength in the Mainland, the Group set up the Asset Investment Division in 2008, targeting the further development of its asset investment in such areas as real estate, infrastructure and resources in the Mainland. In October 2008, the Group acquired a 51% stake in ALAM (later renamed as "Everbright ALAM"), thereby successfully establishing a platform for investing and managing real estate projects in the Mainland. With a total of US$110 million worth of assets under its management, including two real estate investments, Everbright ALAM has operating units in both Beijing and Hong Kong. During the period, the Asset Investment Division participated in the setting up of the Shanxi Resources Fund and signed an agreement to join Shanxi Zhaohui Resources Fund Management Company as a shareholder.

– Notwithstanding the shrinking market demand and negative investment sentiments, the Investment Banking Division actively developed its business and signed several IPO sponsor agreements with various enterprises. With strong project organising skills, it successfully sponsored the listing of Vitar International and Strong Petrochemical on the Hong Kong Main Board during the second half of 2008. During the period, the Investment Banking Division undertook the underwriting and placing functions of 12 corporate exercises, and acted as the financial advisor in 21 projects, recording a profit of HK$5.65 million, a decrease of 82% over the corresponding period last year.

– In the Brokerage Division, retail clients continued to be the major source of business. Under the influence of the current market atmosphere, the trading volume of the Hong Kong stock market decreased substantially and IPO activities almost came to a halt during the year. As a result, commissions from clients, margin financing and interest income from IPO-related loans dropped considerably. The brokerage business recorded an annual pre-tax profit of HK$72.2 million, a drop of 66% over the corresponding period last year. During the period, the Group set up a new securities and wealth management branch in Hung Hom to provide better service to clients.

– Being a necessary supplement for enhancing the Group's return on capital, strategic investment has brought significant economic benefits to the Group over the past decade. During the year, having considered the market conditions and the forecast of the investee enterprises, the Group reduced its strategic investment portfolio size and in so doing effectively mitigated the impact arising from the drop in return of other divisions, reporting a profit of HK$811 million, a growth of 736% over the corresponding period last year.

With the tremendous volatility in the financial market, proper internal control is crucial for the sustainable development of an enterprise. During the year, the Group revised the written mandates of the Board and the management committee, further defining the scope of duties and terms of reference of the two bodies. That allowed the management to react to market conditions promptly and to take timely measures under proper authorisation. The Group attaches great importance to risk management and set up the position of "Chief Risk Officer", who is responsible for monitoring risks and is directly accountable to the Audit and Risk Management Committee of the Board.

The Group was also keen in enhancing its relationship with investors, and took the initiative to cooperate with major financial institutions, which led to a noticeable increase in research reports on the Group. The Group made great efforts in attracting and retaining high caliber staff, adjusted the staff structure during the year to cope with our business development plan, recruited professionals of international vision, and maintained a low staff turnover rate.

In addition, the Group continued to pursue its brand-building strategy. Building on the foundation laid in the previous year, the Group worked with world-renowned public relations agencies to revamp the existing brand management structure and successfully enhanced the Group's corporate image through a series of promotional tactics such as a new company website.

Everbright Securities

In 2008, under the influence of the economic downturn both in Mainland China and overseas, the securities market in the Mainland dropped significantly and the trading volume continued to decrease. The income generated by the securities industry fell sharply compared with the previous year.

Under such influence, the total annual income of Everbright Securities Company Limited, a 39.31% associated company of the Group, amounted to RMB4.83 billion, and the profit after tax of RMB1.19 billion was recorded in accordance with the Hong Kong Financial Reporting Standards, a decrease of 76% over the corresponding period last year. Commissions from the brokerage business, proprietary securities trading, issuance of warrants, asset management, interest and other income accounted for 62%, 1%, 3%, 13%, 17% and 4% of the total income respectively. During the period, the market share of Everbright Securities' equity and fund unit brokerage business was 3.29%, ranking the 9th in the Mainland. Its investment banking business ranked 12th and 10th respectively in terms of the number of issues and the amount of capital raised for equity securities, and was among the top ten in terms of other major sales benchmarks.

The asset management business continued to develop. "Everbright Sunshine 3", a collective asset management product, was successfully launched amid adverse market conditions. In 2008, Everbright Securities obtained three business qualifications: the Qualified Domestic Institutional Investor (QDII); the Stock, Index and Futures Introducing Brokers (IB); and the Pilot Direct Investment Business. The margin trading and short-selling business also passed the networking test run organised by the CSRC. Meanwhile, it was rated as a "Grade A, Category AA" brokerage house in the Mainland, which is presently the highest rating for brokerage houses in the Mainland. It has provided a solid foundation for Everbright Securities to launch various innovative businesses and to develop healthily and comprehensively.

On 30 June 2008, Everbright Securities' application for A-share IPO was approved by the CSRC. Being the first brokerage house approved for an IPO in the Mainland in the past five years, Everbright Securities will seize the favourable opportunity and list as soon as practicable.

As at 31 December 2008, Everbright Securities has set up 78 sales offices and 16 securities services offices nationwide.

Everbright Bank

In 2008, Everbright Bank (whose 6.23% stake is held by the Group) disposed of its historical non-performing assets on a wholesale basis, successfully offsetting the historical accumulated losses. The capital adequacy ratio met the increasingly stringent regulatory requirement and subordinated debts were issued, details of which were officially recorded in its annual report for the year. During the period, the development of various businesses under Everbright Bank was on the right track and the quality of assets continued to improve. As at 31 December 2008, from the unaudited accounts (applicable to all below) based on the accounting standards of the Mainland, the total assets of Everbright Bank amounted to RMB851.8 billion and the loan balance of RMB468.5 billion, respective increases of 15.2% and 12.3% compared to those at the beginning of the year. Profit after tax amounted to RMB7.32 billion, an increase of 45.2% from the corresponding period last year. Everbright Bank also completed the packaged sale of non-performing assets of RMB14.2 billion and the issuance in three tranches of subordinated debts of RMB13 billion. The balance of non-performing loans was reduced to RMB9.4 billion, and the non-performing loan ratio stood at 2.0%, representing a decline of 2.5% over the beginning of the year. Credit allowance coverage was 150.1%, representing an increase of 58.5% over the beginning of the year.

During the period, the application for public listing of Everbright Bank's A-shares achieved considerable progress. The board of directors and shareholders of Everbright Bank passed the relevant resolutions approving the listing. The application for listing was formally submitted to the Mainland regulatory authorities in early June and is awaiting their approval.

FINANCIAL POSITION

As at 31 December 2008, the Group's financial positions are as follows:–

- The total assets of the Group amounted to approximately HK$15.1 billion, comprising cash on hand of approximately HK$4.4 billion. The Group has a very healthy current ratio of 4.6 to 1. Apart from trade liabilities in the ordinary course of business, the Group has no material liabilities at present. The Group's committed borrowing facilities amounted to approximately HK$170 million. The Group's gearing ratio (computed as the Group's total interest bearing liabilities divided by shareholders' fund) was 0% (2007: 0%).

- The Group had no material exposure to foreign exchange fluctuations other than assets denominated in Renminbi.

- None of the Group's listed securities was pledged.

- The Group did not have any material contingent liabilities. The Group had provided guarantees in respect of loans extended to its subsidiaries totalling approximately HK$170 million. There was no outstanding borrowing by any subsidiaries of the Group.

- The Group provided guarantees to financial institutions in respect of trading limits provided by them to its subsidiaries which are engaged in the businesses of leverage forex trading and derivatives trading. The amount of such guaranteed liabilities varies according to the value of transactions.

RISK MANAGEMENT

Risk management is of fundamental importance to the business operation of the Group. The major types of risk inherent in the Group's business are credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group's risk management objective is to maximise shareholder value and 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 Risk Management Group and the Credit Group and the Risk Management and Compliance Department thereunder. 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 areas of business. On 1 January 2009, the Group set up a new post of Chief Risk Officer to oversee risk management and internal control of the Group. The following is a brief description of the Group's approach in managing these risks.

(a) Credit risk

The Group's credit risk is primarily attributable to advances to customers, trade and other receivables, debt investments and unlisted derivative financial instruments. In respect of 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 brokerage business and investment activities. Receivables from securities brokerage customers and brokers are normally due two days after the trade date while deposits with brokers are repayable on demand. The Group has established procedures in the selection of brokers with sound credit ratings or reputation.

Investments in debt instruments and unlisted derivative financial instruments are also governed by whether the issuers and the trade counterparties respectively have sound credit ratings.

The Group has well defined policies in place on the setting and approval of trading, credit and investment position limits in order to manage its credit risk exposure and concentration. As at the balance sheet date, the Group does not have a significant concentration of credit risk other than:

(i) the provision of advances to customers, which are collaterialised by unlisted debt securities issued by issuers with sound credit ratings, of approximately HK$117 million (2007: approximately HK$241 million);

(ii) a margin collateral deposit with a remaining notional amount of HK$354 million issued by a reputable financial institution with sound credit rating; and

(iii) the provision of advances to customers which are secured by residential use leasehold lands in the Mainland of RMB200 million (2007: Nil).

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet date deducting any impairment allowance. Except for the corporate guarantee mentioned earlier, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of the corporate guarantee at the balance sheet date amounted to HK$170 million, as set out in note 15(a). Further quantitative disclosures in respect of the Group's exposure to credit risk arising from advances to customers are set out in note 10.

(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.

(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 year or less.

The Group's interest rate risk arises from advances to customers and bank balances.

(d) Foreign currency risk

The Group's exposure to foreign exchange risk primarily stems from holdings of monetary assets and liabilities denominated in foreign currencies, leveraged foreign exchange trading and net investment in foreign subsidiaries and associates. As most of the Group's monetary assets and liabilities and net investment in foreign subsidiaries and associates are denominated in Hong Kong dollars, United States dollars or Renminbi, the management does not consider there to be any significant currency risk. The Group has a policy not to maintain a significant net position on leveraged foreign exchange trading and the underlying exposure is monitored on a continuing basis.

Overall, the management monitors the Group's foreign currency exposure closely and would consider hedging significant currency exposure should the need arise.

EMPLOYEES

As at 31 December 2008, the Group had 215 employees. Total staff costs for the year under review amounted to approximately HK$211 million as noted in the consolidated income statement. The Group ensures that the remuneration packages for employees are fair and competitive and employees' remuneration (including salaries and bonuses) is linked to their performance. Discretionary year end bonuses may also be paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement schemes and training programs. Directors and full time employees of the Company may be granted share options to subscribe for shares in the Company in accordance with the terms and conditions of the share option scheme approved by the Company at the extraordinary general meeting held on 24 May 2002.

PROSPECTS

Over the past year, the significant fluctuation in financial market has had a huge negative impact on the global economy. Although a series of rescue packages have been launched by various countries, the effects on the economies brought by the financial tsunami will be manifest in 2009. More time will be needed to recover from the credit crunch of the financial system and enterprises. The financial and economic fundamentals in China are far healthier than elsewhere, and the government has reduced the interest rates and increased capital investment to stimulate the economy. However, it is the first time for developed countries, such as the US, the EU and Japan, to experience economic slowdowns (if not recessions) at the same time, and China may be badly hit as its export sector plays an important role in its economy. China might record the lowest economic growth in ten years before those measures take effect. In conclusion, we are cautious about the prospects in 2009, but remain optimistic over the economic development of China in the long run.

After years of integration, the Group has strategically defined itself as "an integrated investment bank with asset management and fund management as primary segment and fee-based operations as complementary segment", focusing on direct investment, asset management and asset investment, while at the same time growing the fee-based business comprising investment banking (corporate finance) and securities brokerage (wealth management). The "3+2" structure is the foundation of building up the Group's business. We will make use of our networks, capital and investment experiences gained in the Mainland together with the injection of a reasonable amount of internal resources to attract external capital. In addition, we aim to further increase the stable management fee income and investment yields through enlarging the scale of asset under management, expanding product range and widening the clientele. Meanwhile, strong risk management capability and a healthy balance sheet could also lay a solid foundation for the development of the Group in 2009.

SOF I, under the management of the Direct Investment Division, will continue to promote the development and listing of its investee projects and reap profits by divesting as and when opportunities arise. CSOF and the "parallel investment fund" will continue to demonstrate their expertise and grasp the opportunity to speed up the investment process and identify prime investment opportunities at reasonable prices.

The Asset Management Division will further consolidate its existing management team, strive to launch new investment products and expand the scale of asset under management.

In respect of the Asset Investment Division, Everbright ALAM is establishing a fund targeting real estate projects in Mainland China, which is expected to have significant progress within the first half of the year. At the same time, it is proactively approaching overseas partners with fund management expertise for the preparation of the infrastructure funds.

Regarding the Investment Banking Division, in addition to the sponsorship of IPO projects, certain businesses that are less sensitive to market fluctuations will also be developed, including asset valuation services, due diligence services and financial advisory services for merger and acquisitions and corporate restructuring, to bring in stable income.

The Brokerage Division will complete the upgrading of its online trading system to expand the system's processing capacity and enhance communication with Everbright Securities to strengthen the mutual cooperation between both parties. Further to its established business structure, the Group will continue to seek suitable targets for acquisition at reasonable costs with a view to establishing an operating platform in the Mainland.

With Everbright Securities acting as an important partner of the Group to tap into the securities market in the Mainland, there is ample room for cooperation between both parties. Everbright Securities will continue to speed up the process of its A-share listing, to further enhance its capital strength and fully utilise its remarkable capabilities in risk management and product innovation. In addition it will be actively involved in the preparation for various new businesses, expand its business presence, and commence substantial business partnership with the Group in due course.

Having undergone restructuring exercises over the years, Everbright Bank has established itself as a national commercial bank with a competitive edge. In line with the economic development plan of Mainland China, Everbright Bank will continue to provide its conventional banking services. At the same time, it will make use of its advantage in wealth management to build up a brand of good quality. As Everbright Bank's operations gather strength and the quality of assets is enhanced, the shareholders' value will be improved.

In 2008, the Group implemented effective risk management and calmly coped with market changes. The management and the executives proved their worth in dealing with the volatility of the markets. The Group's healthy financial position and abundant cash (HK$4.4 billion) provide opportunities for us to develop amid the declining market. The gradual growth of new divisions such as the Asset Investment Division will bring in more stable income and gain. Further, the economic development and the opening-up of the domestic financial industry in Mainland China will provide more opportunities for the Group's development. We are confident our shareholders will enjoy a better return on investment.

I would like to thank all our clients and shareholders for their support over the past year. The Group is committed to providing convenient, professional and pragmatic financial services, thereby creating greater value for our shareholders and the community.

By order of the Board
Chen Shuang
Chief Executive Officer

Hong Kong, 26 March 2009

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

Executive Directors:
Mr. Tang Shuangning *(Chairman)*
Mr. Zang Qiutao *(Deputy Chairman)*
Mr. Chen Shuang *(Chief Executive Officer)*
Mr. Tang Chi Chun, Richard

Non-executive Directors:
Mr. Wang Weimin

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