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 2009

The Directors of China Everbright Limited (the "Company") are pleased to announce that the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009 are as follows:–

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2009

	Note	**2009** *HK$'000*	2008 *HK$'000*
Turnover	*3*	**3,825,422**	4,143,448
Operating income	*3*	**584,694**	343,354
Other net income	*3*	**85,801**	997,571
Staff costs		**(148,682)**	(210,745)
Depreciation and amortisation expenses		**(12,222)**	(10,376)
Impairment loss on available-for-sale securities		**(21,186)**	(260,091)
Other operating expenses		**(152,593)**	(149,413)
Profit from operations		**335,812**	710,300
Finance costs		**(17,200)**	(6,921)
Gain on deemed disposal of interest in associates	*7(b)*	**3,175,642**	–
Share of profits less losses of associates	*7(b)*	**1,349,289**	480,185
Share of profits less losses of jointly controlled entities		**(915)**	–
Profit before taxation		**4,842,628**	1,183,564
Income tax	*4*	**(84,043)**	(208,967)
Profit after taxation		**4,758,585**	974,597
Attributable to:			
Equity shareholders of the Company		**4,757,641**	1,014,832
Minority interests		**944**	(40,235)
Profit for the year		**4,758,585**	974,597
Earnings per share	*6*		
– Basic		**HK$2.989**	HK$0.639
– Diluted		**HK$2.984**	HK$0.637

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009	2008
	HK$'000	*HK$'000*
Profit for the year	**4,758,585**	974,597
Other comprehensive income for the year (after tax and reclassification adjustments):		
Net movement in investment revaluation reserve of available-for-sale securities	**3,655,911**	(4,327,895)
Share of investment revaluation reserve and exchanges reserve of associates	**56,569**	(62,352)
Exchange rate adjustments	**433**	24,271
	3,712,913	(4,365,976)
Total comprehensive income for the year	**8,471,498**	(3,391,379)
Attributable to:		
Equity shareholders of the Company	**8,250,188**	(2,897,586)
Minority interests	**221,310**	(493,793)
Total comprehensive income for the year	**8,471,498**	(3,391,379)

CONSOLIDATED BALANCE SHEET
As at 31 December 2009

	Note	31 December 2009 HK$'000	31 December 2008 HK$'000
Non-current assets			
Fixed assets		**420,738**	277,541
Investments in associates	7(a)	**8,737,541**	4,888,791
Investments in jointly controlled entities	8	**84,266**	–
Available-for-sale securities	9	**8,938,617**	4,082,180
Financial assets designated at fair value through profit or loss	10	**344,530**	196,503
Advances to customers	11	**771,596**	226,880
Intangible assets		**1,250**	6,191
		19,298,538	9,678,086
Current assets			
Advances to customers	11	**969,494**	434,048
Amounts due from associates	7(c)	**749,770**	–
Amounts due from jointly controlled entities		**1,197**	–
Debtors, deposits and prepayments	12	**708,325**	428,287
Trading securities		**487,415**	96,784
Cash and cash equivalents		**2,094,510**	4,418,671
		5,010,711	5,377,790
Current liabilities			
Creditors, deposits received and accrued charges	13	**(829,796)**	(275,061)
Trading securities		**(29,057)**	(421,052)
Amounts due to associates	7(c)	**(438)**	(438)
Amount due to ultimate holding company		**(63)**	(63)
Provision for taxation		**(536,999)**	(533,117)
		(1,396,353)	(1,229,731)
Net current assets		**3,614,358**	4,148,059
Total assets less current liabilities		**22,912,896**	13,826,145
Non-current liabilities			
Bank loans		**(397,145)**	–
Notes payable		**(114,115)**	(75,959)
Deferred tax liabilities		**(542,460)**	(250,298)
		(1,053,720)	(326,257)
NET ASSETS		**21,859,176**	13,499,888
CAPITAL AND RESERVES			
Share capital	14	**1,592,264**	1,591,012
Reserves		**19,392,913**	11,608,081
Total equity attributable to shareholders of the Company		**20,985,177**	13,199,093
Minority interests		**873,999**	300,795
TOTAL EQUITY		**21,859,176**	13,499,888

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	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
Share options forfeited	–	–	(50)	–	–	–	–	–	50	–	–	–
Shares issued under share option scheme	6,308	25,863	(9,516)	–	–	–	–	–	–	22,655	–	22,655
Net investment 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)
Total comprehensive income for the year	–	–	–	(4,210,687)	–	–	–	298,269	1,014,832	(2,897,586)	(493,793)	(3,391,379)
As at 31 December 2008 and 1 January 2009	**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**
Shares issued under share option scheme	**1,252**	**6,239**	**(2,008)**	–	–	–	–	–	–	**5,483**	–	**5,483**
Net investment by minority shareholders	–	–	–	–	–	–	–	–	–	–	**351,894**	**351,894**
Dividends paid	–	–	–	–	–	–	–	–	**(469,587)**	**(469,587)**	–	**(469,587)**
Total comprehensive income for the year	–	–	–	**3,474,301**	–	–	–	**18,246**	**4,757,641**	**8,250,188**	**221,310**	**8,471,498**
As at 31 December 2009	**1,592,264**	**5,724,469**	**4,037**	**5,060,260**	**2,984**	**(924,395)**	**109,714**	**604,395**	**8,811,449**	**20,985,177**	**873,999**	**21,859,176**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	**(1,784,815)**	1,541,645
INVESTING ACTIVITIES		
Purchase of fixed assets	**(62,823)**	(14,913)
Proceeds from disposal of fixed assets	**23**	7,304
Decrease/ (increase) in deposits pledged	**513,144**	(191,945)
Purchase of available-for-sale securities	**(746,731)**	(577,760)
Purchase of financial assets designated at fair value through profit or loss	**(177,268)**	–
Investment in associates	**(17,021)**	–
Investment in jointly controlled entities	**(85,181)**	–
Net cash paid on acquisition of subsidiaries	**–**	(613)
Proceeds from disposal of subsidiaries	**–**	25
Proceeds from disposal of available-for-sale securities	**104,952**	1,879,303
Proceeds from disposal of financial assets designated at fair value through profit or loss	**–**	208,449
Bank interest received	**9,022**	50,490
Dividends from investments in securities	**204,336**	38,169
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES	**(257,547)**	1,398,509
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING ACTIVITIES	**(2,042,362)**	2,940,154
FINANCING ACTIVITIES		
Issue of ordinary shares	**5,483**	22,655
Issue of shares in subsidiaries to minority shareholders	**302,509**	76,761
Redemption of shares by minority shareholders	**(92)**	(328,225)
Proceeds from bank loans	**397,145**	–
Dividends paid to minority shareholders	**–**	(133,012)
Loans from minority shareholders	**–**	62,909
Dividends paid	**(469,587)**	(286,108)
Issue of notes	**–**	49,999
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**235,458**	(535,021)

	2009	2008
	HK$'000	*HK$'000*
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(1,806,904)**	2,405,133
CASH AND CASH EQUIVALENTS		
Beginning of year	**3,846,756**	1,446,953
Exchange rate adjustments	**(4,113)**	(5,330)
End of year	**2,035,739**	3,846,756
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash – general accounts	**2,094,510**	4,418,671
Deposits pledged	**(58,771)**	(571,915)
End of year	**2,035,739**	3,846,756
Cash flow from operating activities include:		
Interest received on advances to customers and others	**128,619**	86,965

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 2008 annual financial statements except for the changes in accounting policies described in note 2. The financial information set out in this report does not constitute the Group's statutory financial statements for the year ended 31 December 2009, but is derived from those financial statements.

2. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants has issued one new Hong Kong Financial Reporting Standards (HKFRSs), a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

– HKFRS 8, Operating segments

– HKAS 1 (revised 2007), Presentation of financial statements

– Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments

– Improvements to HKFRSs (2008)

– Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate

There have been no material impacts on the Group's financial statements for the periods presented as a result of these changes in accounting policy. For financial statements presentation, these developments have resulted in:

– an additional consolidated statement of comprehensive income: corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented;

– amendments to the consolidated statement of changes in equity which is focused on presentation of transactions with equity shareholders;

– revised reporting segment classification for segment information disclosure. The 2008 comparative figures have been restated accordingly (Note 15); and

– expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

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:

	2009	2008
	HK$'000	*HK$'000*
Operating income		
Brokerage commission and service income	**225,030**	168,802
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	**8,452**	48,305
– advances to customers	**127,393**	68,415
– unlisted debt securities	**16,713**	–
– others	**1,226**	18,550
Dividend income		
– listed investments	**25,847**	33,877
– unlisted investments	**178,489**	4,269
Gross rental income from investment properties	**1,544**	1,136
	584,694	343,354
Other net income		
Net realised gain/(loss) on trading securities		
– equity securities	**(76,792)**	(339,036)
– debt securities	**1,464**	151
– derivatives	**(58,939)**	315,336
	(134,267)	(23,549)
Net unrealised gain/(loss) on trading securities		
– equity securities	**(62,179)**	(77,050)
– debt securities	**(1,621)**	–
– derivatives	**201,106**	(275,443)
Net gain on disposal of available-for-sale securities	**45,486**	1,590,357
Realised loss on financial assets designated at fair value through profit or loss	**–**	(4,880)
Unrealised loss on financial assets designated at fair value through profit or loss	**(29,254)**	(252,515)
(Loss)/gain on disposal of fixed assets	**(149)**	2,220
Gain on disposal of subsidiaries	**–**	25
Unrealised (loss)/gain on notes payable	**(38,156)**	16,827
Exchange gain/(loss), net	**140**	(966)
Reversal of impairment on interests in leasehold land	**83,388**	–
Net surplus on revaluation of investment properties	**9,380**	6,001
Recovery of doubtful debts previously provided for	**6,010**	2,298
Others	**5,917**	14,246
	85,801	997,571

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% (2008: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is calculated at the appropriate current rates of taxation in the relevant countries.

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

	2009	2008
	HK$'000	*HK$'000*
Company and subsidiaries		
Current taxation		
– Hong Kong profits tax	**17,716**	180,245
– Overseas taxation	**31,434**	22,277
– (Over)/under provision in respect of Hong Kong profits tax in prior years	**(54)**	460
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	**34,947**	5,985
	84,043	208,967

5. DIVIDENDS

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

	2009	2008
	HK$'000	*HK$'000*
– Interim dividend declared and paid of HK$0.175 (2008 : HK$0.08) per share	**278,608**	127,190
– Final dividend proposed after the balance sheet date of HK$0.20 (2008: HK$ 0.12) per share	**318,463**	190,979
	597,071	318,169

The directors proposed a final dividend of HK$0.20 per share for the year ended 31 December 2009 (2008: HK$0.12 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

	2009	2008
	HK$'000	*HK$'000*
– Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.12 (2008 : HK$0.10) per share	**190,979**	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$4,757,641,000 (2008: HK$1,014,832,000) and the weighted average number 1,591,755,527 shares (2008: 1,589,144,384 shares) in issue during the year, calculated as follows:

	2009	2008
Issued shares at 1 January	**1,591,011,712**	1,584,704,212
Effect of share options exercised	**743,815**	4,440,172
Weighted average number of shares at 31 December	**1,591,755,527**	1,589,144,384

(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$4,757,641,000 (2008: HK$1,014,832,000) and the weighted average number 1,594,373,315 shares (2008: 1,593,740,950 shares), calculated as follows:

	2009	2008
Weighted average number of shares at 31 December	**1,591,755,527**	1,589,144,384
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**2,617,788**	4,596,566
Weighted average number of shares (diluted) at 31 December	**1,594,373,315**	1,593,740,950

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

(a) Investments in associates:

	2009 ***HK$'000***	2008 *HK$'000*
Investments, at cost		
Shares listed in Mainland China	**1,782,992**	–
Unlisted shares in		
– Hong Kong	**40,458**	40,458
– Outside Hong Kong	**18,489**	1,784,460
Share of post-acquisition reserves	**7,743,942**	3,912,213
	9,585,881	5,737,131
Less:		
Provision for impairment charged against investment costs	**(165,548)**	(165,548)
Goodwill on acquisition	**(682,792)**	(682,792)
Carrying value, net	**8,737,541**	4,888,791
Market value of shares listed in Mainland China	**32,964,028**	–

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

(b) As at 31 December 2009, particulars of 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")	The PRC	Securities operations	33.33%

For the year ended 31 December 2009, Everbright Securities has recorded an after tax profit of RMB3.26 billion (according to HKFRSs) and the Group's share of profit, under equity accounting method, amounted to HK$1,349 million.

On 18 August 2009, Everbright Securities' shares were successfully listed on the Shanghai Stock Exchange through an initial public offering of 520 million new shares at an issue price of RMB21.08 per share. After the new share issue, the Group's shareholding in Everbright Securities has been diluted from 39.31% to 33.33%. As a result of the share dilution, the Group has recorded a gain on deemed disposal of HK$3.18 billion.

(c) Amounts due from/(to) associates

Amounts due from/(to) associates are unsecured, interest free and have no fixed terms of repayment.

8. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	2009	2008
	HK$'000	*HK$'000*
Share of net assets	**84,266**	–

Details of the Group's investments in jointly controlled entities are as follows:

Name of jointly controlled entities	Place of incorporation/ operation	Principal activities	Particulars of issued and paid up capital	Percentage of equity interest held by the Company
Everbright Macquarie Infrastructure Limited	Cayman Islands	Fund management	USD20,000	50.1%
Everbright Guolian Capital Company Limited	The PRC	Venture capital and investment advisory	RMB150,000,000	50.0%*

* *Held indirectly*

9. AVAILABLE-FOR-SALE SECURITIES

	2009	2008
	HK$'000	*HK$'000*
At fair value:		
Listed equity securities:		
Listed in Hong Kong	**331,136**	87,539
Listed in Mainland China	**1,765,741**	931,683
Unlisted equity securities	**6,676,643**	3,062,958
Unlisted debt securities	**165,097**	–
	8,938,617	4,082,180

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 16(b)).

The Group held the following principal available-for-sale security as at 31 December 2009:

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	5.26%

(i) At 31 December 2009, the carrying value of interests in Everbright Bank exceeded 10% of total assets of the Group.

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

	2009	2008
	HK$'000	*HK$'000*
At fair value:		
Hong Kong listed equity securities	**92,662**	46,111
Overseas unlisted equity securities	**178,405**	144,120
Overseas unlisted convertible preference shares	**4,527**	6,272
Hong Kong unlisted debt securities	**10,807**	–
Overseas unlisted debt securities	**58,129**	–
	344,530	196,503

Realised gains on disposal of certain financial assets designated at fair value through profit or loss are subject to the payment of an incentive project bonus to an investment team (see note 16(b)).

In 2009, the Group purchased certain unlisted financial assets designated at fair value through profit or loss at a purchase price which was below the fair value at inception that would be determined at that date using a valuation technique. According to the Group's accounting policy, the difference yet to be recognised in profit or loss at the beginning and the end of the year is as follows:

	HK$'000
At 1 January 2009	–
Addition	324,439
At 31 December 2009	324,439

11. ADVANCES TO CUSTOMERS

	2009	2008
	HK$'000	*HK$'000*
Non-current assets		
Term loans to customers		
– secured	**680,820**	226,880
– unsecured	**90,776**	–
	771,596	226,880
Current assets		
Term loans to customers		
– secured	**–**	117,322
Amounts due from margin clients	**973,427**	326,549
	973,427	443,871
Less: impairment loss	**(3,933)**	(9,823)
	969,494	434,048

Certain term loans to customers are secured by leasehold land in Mainland China. Amounts due from margin clients are secured by listed securities of margin clients held as collateral. An ageing analysis is as follows:

	2009	2008
	HK$'000	*HK$'000*
Repayable on demand	**973,427**	414,196
Over 3 months to 1 year	**–**	29,675
1 to 5 years	**771,596**	226,880
	1,745,023	670,751

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	2009	2008
	HK$'000	*HK$'000*
Accounts receivable, net	**615,663**	371,287
Deposits, prepayments and other receivables	**92,662**	57,000
	708,325	428,287

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

	2009	2008
	HK$'000	*HK$'000*
Within 1 month	**613,482**	369,211
Within 1 to 2 months	**282**	540
Within 2 to 3 months	**1,042**	264
Within 3 to 6 months	**34**	749
Over 6 months	**6,179**	5,599
	621,019	376,363
Less: impairment loss	**(5,356)**	(5,076)
	615,663	371,287

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.

13. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2009	2008
	HK$'000	*HK$'000*
Accounts payable	**468,475**	195,066
Other creditors, deposits received and accrued charges	**361,321**	79,995
	829,796	275,061

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

14. SHARE CAPITAL

	2009	2008
	HK$'000	*HK$'000*
Authorised:		
Ordinary shares of HK$1.00 each	**2,000,000**	2,000,000
Issued and fully paid:		
At 1 January	**1,591,012**	1,584,704
Shares issued under share option scheme	**1,252**	6,308
At 31 December	**1,592,264**	1,591,012

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

15. SEGMENT INFORMATION

The Group manages and conducts the majority of its business activities by business units. On the first-time adoption of "HKFRS 8, Operating Segments" and 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:

- Brokerage – brokerage services in securities, futures, bullion and leveraged foreign exchange trading, and margin financing to margin customers.

- Investment Banking – provision of corporate advisory, placing and underwriting services.

- Asset Management – management of absolute return funds with key focus on secondary market trading. Investment return on the Group's own capital seeded into those funds is included herewith.

- Asset Investment – asset class specific long term investment in projects and equities, also targeting the management of investment funds focusing on real estate, infrastructure and resources assets.

- Direct Investment – investment in unlisted equity securities and/or equity derivatives with an ultimate objective of capital gain on investee's equity listing or, in some circumstances, prior to listing. It also includes specific project financing to external parties.

- Strategic Investment – the Group's treasury management operations, and medium and long term investments which are carried out under senior management's directions.

- All other segments – which do not meet the threshold to be reportable and include the Group's investment in properties and certain financial assets and liabilities created from corporate investments.

The reportable segments formerly adopted by the Group are according to services nature and investment tenor while the revised classification is according to internal information used by the senior management. The prior period comparative figures have been adjusted in order to conform to the new segment categorisation.

Segment results are measured in accordance with HKFRS as profit/(loss) before taxation less minority interests'share of profit/(loss).

Inter-segment transactions are priced by reference to normal commercial rates and/or cost recovery basis. Revenues of all other segments mainly include gross rental income, inter-segment service income and investment gain/(loss) from notes payable and certain corporate available-for-sale securities.

(a) Business segments

For the year ended 31 December 2009:

	Brokerage	Investment Banking	Asset Management	Asset Investment	Direct Investment	Strategic Investment	Reportable segments total	All other segments	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE										
Operating income from external customers	225,592	42,701	28,174	40,633	84,676	160,177	581,953	2,741	–	584,694
Other net income from external customers	15,091	391	52,171	(3,844)	(23,631)	(10,807)	29,371	56,430	–	85,801
Inter-segment revenue	168	1,960	–	–	4,539	–	6,667	742	(7,409)	–
Total operating income and other net income	240,851	45,052	80,345	36,789	65,584	149,370	617,991	59,913	(7,409)	670,495
RESULTS AND RECONCILIATION OF SEGMENT RESULTS										
Segment results before minority interests	85,376	21,562	52,072	4,168	10,780	147,020	320,978	55,166	–	376,144
Unallocated head office and corporate expenses										(57,532)
Gain on deemed disposal of interest in associates										3,175,642
Share of profits less losses of associates										1,349,289
Share of profits less losses of jointly controlled entities										(915)
Profit before taxation										4,842,628
Less: Minority interests	–	–	190	(3,185)	552	–	(2,443)	1,499		
Segment results	85,376	21,562	52,262	983	11,332	147,020	318,535	56,665		
Interest income	58,526	5,211	16,827	15	66,409	6,796	153,784	–	–	153,784
Interest expenses	5,306	–	146	–	11,728	20	17,200	–	–	17,200
Depreciation and amortisation *(Note)*	80	–	–	366	1,353	–	1,799	2,754	–	4,553
Impairment loss on available-for-sale securities	–	–	–	13,426	7,760	–	21,186	–	–	21,186
Impairment loss on goodwill	–	–	–	4,941	–	–	4,941	–	–	4,941

Note: Certain depreciation and amortisation expenses are included in unallocated head office and corporate expenses.

For the year ended 31 December 2008:

	Brokerage	Investment Banking	Asset Management	Asset Investment	Direct Investment	Strategic Investment	Reportable segments total	All other segments	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
REVENUE										
Operating income from external customers	201,439	21,616	40,600	9,239	15,278	53,975	342,147	1,207	–	343,354
Other net income from external customers	11,910	100	(264,555)	(16)	431,207	784,958	963,604	33,967	–	997,571
Inter-segment revenue	181	3,650	–	–	4,538	–	8,369	6,555	(14,924)	–
Total operating income and other net income	213,530	25,366	(223,955)	9,223	451,023	838,933	1,314,120	41,729	(14,924)	1,340,925
RESULTS AND RECONCILIATION OF SEGMENT RESULTS										
Segment results before minority interests	74,891	2,514	(291,751)	(9,682)	281,070	835,562	892,604	(38,110)	–	854,494
Unallocated head office and corporate expenses										(151,115)
Share of profits less losses of associates										480,185
Profit before taxation										1,183,564
Less: Minority interests	–	–	34,985	5,296	(1,282)	–	38,999	1,236	–	
Segment results	74,891	2,514	(256,766)	(4,386)	279,788	835,562	931,603	(36,874)	–	
Interest income	77,236	122	3,960	2	6,514	47,436	135,270	–	–	135,270
Interest expenses	5,343	–	636	–	207	735	6,921	–	–	6,921
Depreciation and amortisation *(Note)*	90	3	–	91	895	–	1,079	3,057	–	4,136
Impairment loss on available-for-sale securities	–	–	49,442	–	134,685	–	184,127	75,964	–	260,091

OTHER INFORMATION

As at 31 December 2009

	Brokerage HK$'000	Investment Banking HK$'000	Asset Management HK$'000	Asset Investment HK$'000	Direct Investment HK$'000	Strategic Investment HK$'000	Reportable segments total HK$'000	All other segments HK$'000	Eliminations HK$'000	Total HK$'000
Segment assets	1,505,735	17,672	1,475,479	441,571	4,110,643	6,572,235	14,123,335	1,264,106	(5,380)	15,382,061
Investments in associates										8,737,541
Investments in jointly controlled entities										84,266
Unallocated head office and corporate assets										105,381
Total assets										24,309,249
Segment liabilities	466,870	2,931	6,028	11,377	425,215	29,057	941,478	380,494	(5,380)	1,316,592
Provision for taxation										536,999
Deferred tax liabilities										542,460
Unallocated head office and corporate liabilities										54,022
Total liabilities										2,450,073
Additions to non-current segment assets during the year	–	–	–	38	105	–	143	–	–	143

As at 31 December 2008

	Brokerage HK$'000 (Restated)	Investment Banking HK$'000 (Restated)	Asset Management HK$'000 (Restated)	Asset Investment HK$'000 (Restated)	Direct Investment HK$'000 (Restated)	Strategic Investment HK$'000 (Restated)	Reportable segments total HK$'000 (Restated)	All other segments HK$'000 (Restated)	Eliminations HK$'000 (Restated)	Total HK$'000 (Restated)
Segment assets	1,201,079	27,016	882,234	243,653	1,795,130	5,586,386	9,735,498	371,360	(8,587)	10,098,271
Investments in associates										4,888,791
Unallocated head office and corporate assets										68,814
Total assets										15,055,876
Segment liabilities	200,608	–	8,036	10,372	25,258	414,567	658,841	84,529	(8,587)	734,783
Provision for taxation										533,117
Deferred tax liabilities										250,298
Unallocated head office and corporate liabilities										37,790
Total liabilities										1,555,988
Additions to non-current segment assets during the year	–	–	–	5,776	2,504	–	8,280	–	–	8,280

(b) Geographical segments

The following table sets out information about the geographical location of (i) the group's revenue from external customers and (ii) the group's fixed assets, intangible assets, goodwill, interests in associates and jointly controlled entities ("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 intangible assets, goodwill and interests in associates and jointly controlled entities, the geographical location are based on the location of operations.

	For the year ended 31 December 2009			For the year ended 31 December 2008		
	Hong Kong	**China Mainland**	**Total**	Hong Kong	China Mainland	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue						
Revenue	**468,496**	**116,198**	**584,694**	316,181	27,173	343,354
Other net income	**86,513**	**(712)**	**85,801**	567,783	429,788	997,571
	555,009	**115,486**	**670,495**	883,964	456,961	1,340,925

	As at 31 December 2009			As at 31 December 2008		
	Hong Kong	**China Mainland**	**Total**	Hong Kong	China Mainland	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Specified non-current assets	410,183	8,833,612	9,243,795	265,310	4,907,213	5,172,523

16. CONTINGENT LIABILITIES

(a) Corporate guarantee

	2009	2008
	HK$'000	*HK$'000*
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	**567,145**	170,000

The Group's subsidiaries have utilised HK$397,145,000 out of these banking facilities as at 31 December 2009 (31 December 2008: Nil). As at 31 December 2009 and 31 December 2008, the Company also issued corporate guarantees to certain financial institutions for trading facilities granted to a subsidiary which engages in leveraged foreign exchange trading and other subsidiaries which carry out derivatives transactions. The guarantee amounts vary depending on the volume of transactions effected with the financial institutions.

(b) **Incentive payment**

According to an Incentive Agreement dated and announced on 25 May 2007, the Group is obligated to pay an incentive project bonus to an investment team (of which all the individual members are employees of the Group) upon the realisation of each project, whether in whole or in part, under SeaBright China Special Opportunities (I) Limited (of which the Group has a 78.9% equity interest). The amount of the incentive project bonus payable under the agreement is equal to 15% of the profit realised from the disposal of those investments, plus the related amount of advisor fee income received less certain attributable project expenses and the investment team's operating expenses. The incentive project bonus is recognised on the realisation of the relevant project. As at 31 December 2009, the accumulated unrealised gain associated with the relevant projects amounted to HK$1,772 million (2008: HK$902 million). If all relevant projects were disposed of on 31 December 2009 at their fair value, the amount of incentive project bonus payable to the investment team would be approximately HK$202 million (2008: HK$109 million).

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.20 per share for 2009 (2008: HK$0.12 per share). Together with the interim dividend of HK$0.175 per share, the aggregate dividend for the year is HK$0.375 per share (2008: HK$0.20 per share).

The final dividend, subject to shareholders' approval at the forthcoming Annual General Meeting, is expected to be paid on or about Friday, 28 May 2010 to those shareholders whose names appeared on the register of members of the Company on Monday, 10 May 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 10 May 2010 to Thursday, 13 May 2010 (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 Friday, 7 May 2010.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Gloucester Room I, 3/F., The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong at 10:00 a.m. on Thursday, 13 May 2010.

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 all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2009.

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 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 2009.

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 the audited financial statements of the Group for the year ended 31 December 2009, and discussed the auditing, internal control and financial reporting matters.

By order of the Board
Chen Shuang
Chief Executive Officer

Hong Kong, 25 March 2010

CHAIRMAN'S STATEMENT

2009 has been an extraordinary year. Governments around the world took economic stimulus measures that restored confidence, stabilised the market and prevented the economy from further downturn. In China, the target GDP growth of 8% was attained. Economic stimulus policies and measures were adopted by the Central Government in response to the significant decrease in exports as overseas demand dropped. Driven by the resumption of economic growth in the Mainland, Hong Kong reported improved unemployment rates as well as gains in the stock and property markets on the back of a massive inflow of funds.

Against such a complex economic and financial environment, the Company and its subsidiaries (collectively the "Group") have not only successfully mitigated the negative impact and maintained stable business growth, but have in fact ended the year with record-high shareholders' equity, in a telling testimony to our strong risk management capability and robust growth potential. To meet the fast-growing investment needs of Mainland customers, investment funds with considerably greater variety were set up in adherence to our "3+2 Macro Asset Management" strategy, and the size of our assets under management ("AUM") increased significantly. The year under review also saw the establishment of the Everbright ALAM China Real Estate Fund, the conclusion of an agreement to jointly set up a China Infrastructure Fund with Macquarie, and the setting up of several RMB venture capital funds in association with Wuxi City and Jiangyin City of Jiangsu Province as part of our initiatives to expand our RMB fund management business. Meanwhile, we also managed to sustain stable revenue growth for our fee-based businesses in Hong Kong, such as investment banking and brokerage, despite significant volatility in the market. The Group maintained a relatively low gearing ratio and exercised effective control over operating costs in adherence to a prudent financial policy. Everbright Securities Co., Ltd, an associate in which the Company holds a 33.33% interest, continued to enjoy rapid business development during the year with significantly enhanced capital strengths, as it completed its A-share listing as the first securities house in China to launch an IPO over the past five years, while firmly positioning itself among the top ten securities houses in terms of major business indicators. China Everbright Bank, another associate in which the Company holds a 5.26% interest, reported assets in excess of RMB1,200 billion for the first time in 2009, as its asset quality continued to improve in line with growing profitability. The bank's capital strengths were significantly enhanced with the issuance of subordinate bonds and rights, evidenced by a capital adequacy ratio of above 10%. In connection with its application for A-share listing, supplementary information and updates were submitted to the China Securities Regulatory Commission during the year. With the benefit of value growth in investment projects and solid performance of associate companies, the Group reported a 369% growth in profit attributable to shareholders, which amounted to HK$4.76 billion. Shareholders' equity reached a record-high of HK$21.0 billion, a 59% growth compared to the same period last year. The Board recommended the payment of a final dividend of HK$0.20 per share (2008: HK$0.12).

Looking to 2010, we expect a considerable measure of uncertainty in the international financial markets, as major economies fall short of significant growth momentum after initial recovery amid a generally stabilised international marketplace, while employment figures do not hold much optimism either. As such, the full recovery of the global economy is set to come in a "Ww-shaped" evolving process, underpinned by recurrent volatility and driven by multiple forces. At home, China's economic growth remains largely investment-driven.

External demand is inadequate, while the structure of consumption is biased with excessive over-valuation of assets. It would not be an easy task for the government as it seeks to assure balanced and healthy economic development and manages expectations for inflation through macro-economic regulation, while enterprises will also find business development immensely challenging under such circumstances.

As China Everbright Group's sole financial arm in the overseas market, the Group will work closely with fellow-subsidiaries of China Everbright Group under the current complex market conditions. We will continue to expand our investment fund and fund management businesses with enhanced product designs and risk management under the framework of "3+2 Macro Asset Management" on the basis of sound economic and industry forecasts. We intend to leverage our market position and capital strengths to swiftly expand the size of AUM, aiming to strengthen our market position and influence in private equity funds, asset investment funds and hedge funds, while expediting integration between our Investment Banking and Brokerage Divisions on the one hand and Everbright Securities on the other to assure growth on all fronts.

Last year, the Group grew steadily and attained creditable results. May I take this opportunity to express sincere gratitude to shareholders, clients, members of the public, Board members, the management and employees for their support and dedication throughout the year.

Tang Shuangning
Chairman

Hong Kong, 25 March 2010

CHIEF EXECUTIVE OFFICER'S REPORT

China Everbright Limited was engaged in swift expansion of its investment funds and fund management operations in 2009, as it continued to advance strategic realignments with prudence and pragmatism under the leadership of the Board, against the backdrop of a rapidly changing financial market. As the year concludes, we are glad to report that the general business profile of the Company has come into shape, backed by extremely sound financial conditions.

OPERATING RESULTS

The global financial markets underwent dramatic turns in 2009. Steep declines continued in the first quarter of 2009 in the aftermath of the financial tsunami triggered by the U.S. sub-prime crisis, before the market quickly stabilised under an unprecedented joint bailout initiative by governments. The PRC economy was among the first to bottom out and resume growth, followed by gradual economic recovery in other parts of the world. Such developments combined to create a favourable environment for the Company and its subsidiaries (collectively the "Group"), who took advantage of the market recovery to expedite the development of its "3+2 Macro Asset Management" business. Leveraging our business platform in Hong Kong and operating network in the Mainland, a number of investment funds were set up during the year, lining up domestic as well as overseas investors to tap potential industries and sectors in the Mainland, laying solid groundwork for a business model that promises a strong, recurrent source of income. Meanwhile, Everbright Securities Company Limited ("Everbright Securities"), the Group's associate company, reaped the benefits of a thriving domestic securities market to report record-high results in its operations, and completed its IPO with a public listing on the Shanghai Stock Exchange in August 2009, in connection with which the Company booked a substantial non-operating income.

For the year ended 31 December 2009, the Group's profit attributable to shareholders amounted to HK$4,757 million, a leap of 369% compared to the same period last year, while earnings per share soared 368% to HK$2.99. Net assets per share also improved significantly to HK$13.2, a 59% growth compared to the same period last year.

HONG KONG OPERATIONS

The Group continued to focus on investment funds in 2009, as it further refined its "3+2 Macro Asset Management" business structure to establish a complementary business model comprising investment ventures and fee-based businesses. As the capital market recovered, the portfolio values of the Group's investment funds gradually restored, while the Company's value was significantly boosted by the successful A-share listing of Everbright Securities. The Group reported record-high shareholders' equity as at the end of 2009 complemented by a remarkably low gearing ratio, creating very favourable conditions for business expansion. No divestment was made during the period as we held a bullish outlook for the market. While the full-year profit of the Hong Kong operations has declined, improvements are expected when Fund management income and investment gains start to increase under the full operation of the "3+2 Macro Asset Management" business structure.

For 2009, the total turnover of the Group's Hong Kong operations amounted to HK$3.825 billion, representing a decrease of 8% compared with the same period last year. The profit before tax of our Hong Kong operations was HK$319 million, representing a decrease of 55%. Total outgoings decreased by 12% to HK$330 million, attributable mainly to the reduction in performance-based staff incentive bonuses. Total cost-to-income ratio was 49.3%, which was 21.2% higher compared with 28.1% for the same period last year. Developments of our principal operations are reported as follows:

- **The Direct Investment Division** reported HK$11 million in pre-tax profit for the year, representing a 96% decrease compared with the same period last year. The apparently negative turn in 2009 was purely the result of a down marking in valuation of one particular investment which is actually still above the historical investment cost and the lack of any divestment as made in 2008. The Division has established a sophisticated model of operation comprising three management teams and six investment funds. Seabright China Special Opportunities (I) Limited ("SOF I") reported significant value growth in its investment portfolio in 2009 as it entered the exit stage, although such investments had yet to be disposed of given the management's bullish outlook for further growth. China Special Opportunities Fund, L.P. ("CSOF") and the "parallel investment fund" remained in the investment stage. After successfully averting the risk of overvalued projects in 2008, the management team grasped opportunities arising from the government policy of stimulating domestic demands and invested in four projects in the retail sector at reasonable prices after conducting research on some 90 potential projects.

  The venture capital fund formed between the Group and Beijing Zhongguancun continued to identify and track hi-tech projects with good potential, and expedited the IPO processes of invested projects. In addition, our RMB fund business in Mainland China was further expanded. We entered into agreements with the municipal governments and local enterprises of Jiangyin City and Wuxi City in Jiangsu Province and formed two venture capital funds each with a capital of RMB500 million, focusing on investments in hi-tech industrial projects in the Yangtze River Delta region.

- **The Asset Investment Division** reported HK$4 million in pre-tax profit for the year, representing a turnaround from last year's loss situation. The Division is focused on industries that would potentially benefit from China's economic growth under the current national development strategies. It conducts its investments in the form of funds with standardised structure. During the year, the Group stepped up with the establishment of investment funds linked to the real estate, infrastructure and energy sectors in the Mainland. Tranche one subscription for Everbright ALAM China Real Estate Fund was officially completed in October 2009, receiving capital commitments in excess of US$100 million. Investment projects in the Mainland with good potentials have been identified and investments have been made. In connection with infrastructure construction, the Group announced the establishment of the China Infrastructure Fund, a joint venture entered into with Macquarie in August 2009, with a capital contribution of US$50 million each from the partners. Offering for subscription had begun with a target fund size of US$1.5 billion. As we expect the demand for and investment in infrastructure in the Mainland to remain robust in the foreseeable future given the nation's rapid economic growth, the Group intends to develop the fund into an important participant of the Mainland's infrastructure sector leveraging the Group's network and ability to identify projects in the Mainland as well as Macquarie's management capabilities in infrastructure projects worldwide. Meanwhile, we have also achieved a major breakthrough in energy and resources with the establishment of a RMB3 billion energy fund in a joint venture with several local enterprises in Jiangyin City of Jiangsu Province in February 2010. The first tranche amounting to RMB1 billion has been fully subscribed.

- **The Asset Management Division**, which focuses on the development of investment funds in the secondary market and related fund management, reported pre-tax profit of HK$52 million for the year (versus a loss of HK$292 million for the same period last year). The Dragon Fund, a Greater-China hedging fund managed by the Division, adopted a relatively conservative approach in 2009, holding a substantial portion of its investment portfolio in cash and resorting to a variety of hedging operations. Its performance for the year was barely satisfactory, with an overall loss rate of 0.1% for 2009 comparing unfavourably against the 50% growth of the Hang Seng Index over the same period.

- **The Brokerage Division,** which focuses on retail clients as its major source of business, reported HK$85 million of pre-tax profit for the year, representing a 14% growth compared with the same period last year. Trading in the Hong Kong stock market was lacklustre during the first quarter of 2009 after the outbreak of the financial tsunami. The trading volume from our clients gradually picked up as market sentiments subsequently improved, and our brokerage business gained further ground in revenue derived from interest income relating to IPOs and margin financing in a low-interest environment. The "EB Golden Sunshine 165" Hong Kong stock trading platform, tailored for Mainland investors with web pages and functions similar to those featuring in mainstream online trading systems in the Mainland, was launched during the year. Promotional activities have been organised to increase brand recognition. Coupled with the launch of online trading systems for futures and bullion during the year, the Group is providing its clients with a platform that enables a diverse range of online trading activities.

- **The Investment Banking Division** reported a 758% growth of pre-tax profit to HK$22 million, compared with the same period last year. The overall business profile of the Investment Banking Division, primarily focused on Mainland SMEs, was growing into a stage of maturity. The Division has stocked up projects for several years when the market sentiments were pessimistic. It sponsored the main-board listings of Strong Petrochemical and Qinfa Group in Hong Kong in 2009 and took part in the underwriting and placing of 21 corporate exercises, while also acting as the financial advisor in 13 projects. During the period, the Group also restructured its institutional sales team and expedited the development of its sales network for institutional clients.

As the scale and scope of the Group's business continues to expand, a more sophisticated management model is also required. Over the years, the Group has formed a governance regime comprising fundamentally the Board of Directors and its specialised committees and a day-to-day management regime comprising the Management Committee. The relationship between the two regimes has been effectively set out in the "Mandates of the Board and the Management Committee", which are updated on an annual basis. The system continued to operate smoothly in 2009. Further clarifications in certain aspects of the respective functions and scopes of authority of the Board and the Management Committee have been made, while the establishment of an Executive Committee under the Board has also enhanced our operational efficiency. In other areas, the system of risk management under the leadership of the Chief Risk Officer was operating well, additional members were appointed to the Management Committee and the sub-management structure was amended pursuant to the requirements of our business development. In terms of internal management, the Group continues to expand its team by recruiting high-calibre people with various expertise. Employees are encouraged to create economic value and improve the work rate in the overall interest of the Group, with the understanding that they are prepared to share the risk and profit of the Group when they create value for the Group.

As a listed company, the Company regards investor relations and communication as a priority task. In 2009, the Group participated in major investors' conferences organised by leading financial institutions and engaged in group or one-on-one meetings with over 400 institutional investors and analysts, as it sought to further develop its investor relations. Market understanding of the Group's development strategies and business progress has been effectively enhanced as the Group received coverage in some 25 analyst reports issued by well-known financial institutions during the year. We were also short-listed for the "Excellent Investor Relations Award" hosted by the IR magazine. All in all, China Everbright has made significant progress in brand name awareness and recognition in 2009.

EVERBRIGHT SECURITIES

Driven by ample liquidity amid a stabilised domestic economy, the Mainland stock markets performed strongly in 2009 with record high trading amounts, while the launch of the Shenzhen GEM Market also presented domestic securities firm with additional opportunities. With the resumption of IPOs in the Mainland, the conditions were ripe for the listing of Everbright Securities. On 18 August, Everbright Securities was listed on the Shanghai Stock Exchange with the issuance of 520 million new shares raising RMB10.7 billion. Following the IPO, the percentage of the Group's shareholdings in Everbright Securities was diluted from 39.31% to 33.33%, and approximately HK$3.18 billion was recognised as "gain on deemed disposal of interests in an associated company."

Total income of Everbright Securities in 2009 amounted to RMB7.28 billion. Profit after tax in accordance with the Hong Kong Financial Reporting Standards amounted to RMB3.26 billion, an 80% growth over the same period last year. Commission income from the brokerage business, proprietary securities trading, issuance and underwriting of shares, asset management and other income accounted for 63.4%, 15.2%, 3.3%, 8.3% and 9.8%, of the total income respectively. During the period, Everbright Securities' brokerage business ranked 10th in the Mainland with a 2.77% market share. With the successful launches of "Everbright Sunshine 2 (Phase 2)", "Everbright Sunshine 5" and "Everbright Sunshine 6" collective asset management products, Everbright Securities is now a leader in collective asset management products among brokerage houses.

As at 31 December 2009, Everbright Securities had 93 sales offices and 4 securities services offices nationwide.

On 22 March 2010, Everbright Securities' board of directors has proposed a final dividend of RMB0.50 per share for the year ended 31 December 2009. If the proposed final dividend is approved by its shareholders, the Group will be entitled to a dividend of approximately RMB570 million.

EVERBRIGHT BANK

Everbright Bank, in which the Group owns a 5.26% stake, reported positive momentum in all of its business segments and ongoing improvements in its asset quality in 2009. Based on the unaudited accounts prepared under PRC accounting standards (same hereinafter), Everbright Bank's total assets and loan balance as at 31 December 2009 amounted to RMB1,197.7 billion and RMB649 billion respectively, representing respective growth of 40.6% and 38.5% compared with the beginning of the year. Pre-tax profit for the year amounted to RMB10.49 billion, growing by 32.4% over same period last year. The balance of non-performing loans declined to RMB8.12 billion with the non-performing loan ratio standing at 1.25%, which was 0.75% lower compared with the beginning of the year. The credit provisioning coverage ratio was 194.1%, representing an increase of 43.9% compared with the beginning of the year.

In August, Everbright Bank issued 5,217.9 million new shares to eight domestic enterprises, raising RMB11.43 billion to strengthen its capital. The Group's shareholding in Everbright Bank was diluted from 6.23% to 5.26%. Moreover, Everbright Bank has submitted an application for A-share listing, pending approval of relevant Mainland regulatory authorities.

As at 31 December 2009, Everbright Bank had 31 branches and 483 sub-branches nationwide.

FINANCIAL POSITION

As at 31 December 2009, the Group's total assets amounted to approximately HK$24.31 billion, with cash on hand of approximately HK$2.09 billion. Apart from current liabilities in the ordinary course of business and those related to investment in derivative financial instruments, the Group's major liability is bank loans of approximately HK$397 million. Those termed bank loans are for the Group's investment projects in the Mainland.

The actual borrowing depends on the Group's business and investment needs. As at 31 December 2009, the Group's committed borrowing facilities amounted to approximately HK$567 million. The Group's gearing ratio, calculated as interest-bearing liabilities divided by shareholders' equity was 1.9% as at 31 December 2009 (2008: nil).

The Group had no material exposure to foreign exchange fluctuations other than assets and bank loans denominated in Renminbi and United States Dollar.

Except for those disclosed in the notes to financial statements, the Group did not have any material contingent liabilities as at 31 December 2009. The Group had given guarantees in respect of banking facilities available to subsidiaries amounting to approximately HK$567 million. As at 31 December 2009, the Company had also provided guarantees in favour of financial institutions in respect of trading limits of subsidiaries engaged in 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, foreign currency risk and investment 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 Risk Management Group and execution is carried out by the Risk Management and Compliance 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 areas of business. On 1 January 2009, the Group set up a new position of Chief Risk Officer to oversee risk management and internal controls 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 general for advances to customers, the Group requires collateral from customers before advances are granted. The amount of advance permitted depends on the quality and value of collateral provided by the customer. Any subsequent change in value, as well as quality, of collateral is closely monitored in order to determine whether any corrective action is required.

Trade and other receivables mainly arise from the Group's brokerage business and investment activities. Receivables from securities brokerage customers and brokers are normally due two days after trade date while deposits with brokers are repayable on demand.

The Group has established procedures in the selection of brokers with sound credit ratings and/or reputation. Investments in debt instruments and unlisted derivative financial instruments are also governed by whether the issuers and the trade counterparties respectively have sound credit ratings.

The Group has well defined policies in place on the setting and approval of trading, credit and investment position limits in order to manage its credit risk exposure and concentration. As at the balance sheet date, the Group does not have a significant concentration of credit risk other than the provision of advances of RMB600 million (2008: RMB200 million) to a customer which are secured by residential use leasehold lands in the Mainland.

The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, on the balance sheet date deducting any impairment allowance. Except for the corporate guarantees 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$567 million (31 December 2008: HK$170 million). Further quantitative disclosures in respect of the Group's exposure to credit risk arising from advances to customers are set out in note 11 of the Notes to Financial Statements.

(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, bank balances and bank loans.

(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.

(e) Investment risk

The Group's investment mainly comprises two parts: listed securities and unlisted securities. Substantial investment requires approval by the Management Committee or the Executive Committee. Each investment department makes appropriate investment accordingly to its investment philosophy and established investment operation and risk management guidelines. Risk Management and Compliance Department carries out day-to-day monitoring on listed securities. Even though asset prices experienced significant volatility in 2009, the Group's investments in listed securities have not been exposed to significant market risk.

EMPLOYEES

The Group places high value on human resources management. We emphasis on exploration of employee potential and employee training. We endeavor to build up high quality team to cope with the Group's long-term business development.

As at 31 December 2009, the Group had 223 employees in Hong Kong and Mainland China. Total staff costs for the year under review amounted to approximately HK$149 million as noted in the consolidated income statement. Remuneration for employees is based upon their qualification, experience, job nature, performance and market condition.

The Group may also pay discretionary year end bonuses to employees based on individual performance. Other benefits to employees include medical insurance, retirement schemes and training programs. Directors and qualified 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. During the year under review, no share option is granted to employees (include Directors).

OUTLOOK

While the Chinese economy is on the course of recovery, growth in 2009 has been driven mainly by government investments and fiscal support, which means that the fundamentals remain weak. The PRC government is expected to maintain a loosened monetary policy and a moderate fiscal policy in 2010, pending stronger signals of economic recovery in Europe and the U.S. It will continue its drive for economic restructuring, aiming to mitigate the impact of redundant capacities and price bubbles in certain industries and sectors while increasing the weight of individual retail spending in economic growth. Meanwhile, volatility is expected for the capital markets of the Mainland and Hong Kong as global liquidity flow is going to be affected by the fluctuating U.S. Dollar.

The Group's stable overall business growth amid enormous volatility of the global financial market has proved, among other things, the effectiveness of its "3+2 Macro Asset Management" business model. Abounding opportunities are coming our way given the enormous potential of the Chinese market, as more and more domestic institutions and individuals are increasing their investments in foreign markets.

While continuing to reinforce its investment funds and fund management businesses in 2010, the Group will also seek to provide fund management services of international standards to overseas investors who wish to invest in unlisted high-growth enterprises in the Mainland, whom we will identify through our existing clientele as well as the global network of our business partners. This would help enhancing the efficiency of the investees, while assuring sound returns for fund investors. Meanwhile, we will move to facilitate integration between our Mainland operations and Hong Kong operations. Through cooperation with Everbright Securities, Everbright Bank and other fellow subsidiaries of China Everbright Group, the Group will look to strengthen its secondary market fund, investment banking and brokerage businesses in Hong Kong, striving for larger market shares as it prepares itself for the increasing outflow of domestic funds into international investments. The Group is well-positioned for such expansion given its strong risk management capability and healthy balance sheet.

In 2010, the Group will speed up the formation of teams responsible for secondary market funds such as hedge funds and SME funds, while focusing on the growth and maturity of private equity funds, venture funds and asset investment funds in the primary market, with a view to increasing the overall size of AUM by bringing in capital from external sources.

The SOF I managed by our Direct Investment Division has generated sound rewards for its investors. Invested projects are developing well with good prospects for IPO listing. For fully-grown projects we will seek to exit and lock in profit at the right timing. Meanwhile, CSOF and its "parallel investment fund" will continue to leverage the industry expertise to identify sound investment opportunities and set up a new tranche as and when appropriate. For the three venture funds established in respective joint ventures with Beijing Zhongguancun, Wuxi City and Jiangyin City of Jiangsu Province, which are in the investment stage, the Group will continue to identify projects with strong potential for growth and drive for their eventual IPOs, leveraging its excellent local networks and proven experience in investment management.

For the Asset Investment Division, Everbright ALAM China Real Estate Fund will make prudent investments in second-tier cities in joint venture with domestic partners, while pursuing the second tranche of its fund raising activities. We will strive for early completion of the global offering of the first tranche subscription of China Infrastructure Fund, our joint venture with Macquarie, and look to stock up domestic infrastructure projects with promising stable returns. The first tranche subscription amounts of RMB1 billion received by the new energy fund, set up in joint venture with local enterprises of Jiangyin City, will be investing in high-growth enterprises in the energy and natural resources sector in support of the government's policy to develop low-carbon industries.

As an integral part of our "3+2 Macro Asset Management" business platform, the secondary-market investment fund of our Asset Management Division effectively meets the diversified needs of institutional clients, improves the efficiency of resource allocation and complements the Direct Investment business and Asset Investment business, which are currently focused on the investment of non-listed companies. Plans are in the pipeline to restructure this business segment and step up with the reorganisation of its management team. We will strive to launch new investment products during the year and expand the size of AUM and enhance returns.

At the Investment Banking Division, our IPO sponsorship and underwriting businesses is expected to have better performance in 2010, on the back of solid strengths fostered over the years. In connection with our Brokerage business, we will continue to increase our marketing efforts. With enhanced ability in the provision of comprehensive products and services, will move for closer cooperation with Everbright Securities, the Brokerage Division and the Investment Banking Division with a view to accomplishing stronger resources sharing and management integration.

In addition, the Group together with sister companies of China Everbright Group will continue to identify suitable targets in the Mainland market for acquisition. Provided that the price is reasonable, we may try to acquire a trust company in order to expand our RMB asset management business and to complement our Hong Kong business. Such synergy is beneficial to all parties.

As an important partner of the Group for participation in the domestic securities market, Everbright Securities' overall strengths have been significantly improved following its IPO listing. With the availability of strong capital resources, Everbright Securities will reinforce its position in the traditional securities business through the expansion of its network of business outlets. With proven capabilities in risk management and product development, it will also strive to be a frontier in innovative businesses such as collective asset management, stock indices and futures and margin financing. The successful listing of Everbright Securities has also paved the way for more substantial and in-depth cooperation with the Group. The two parties join forces to forge a cross-border brand name with formidable strengths, and to offer a full range of financial products and services.

With bolstered capital adequacy following the introduction of new strategic investors, Everbright Bank is well-positioned to drive for growth in traditional banking businesses, while further extending its leading edge in the area of asset management. Substantive progress is also anticipated for its plan of A-share listing. The bank's stable dividend payout will provide the Group with a recurrent source of cash profit, while its extensive branch network in the Mainland will help to facilitate the Group's RMB asset management business.

In 2010, the stability of the gradual growth of the global financial markets will be struggling with the exit plans of the stimulus packages. The ability to capture market opportunities with effective risk management will be a key indicator of the strength of a company. While short-term volatility is inevitable, it will not fundamentally alter China's economic development in the long run. With our integrated business platform lending strong competitive edge, the Group is well-positioned to tap the potential of the cross-border financial markets by providing efficient, convenient and practical solutions to institutional as well as individual investors and helping our customers execute their wealth management plans with ease. These efforts will translate into greater rewards for our shareholders. We are confident of success.

By order of the Board
Chen Shuang
Chief Executive Officer

Hong Kong, 25 March 2010

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 Director
Mr. Wang Weimin

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