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 2010

The Directors of China Everbright Limited (the "Company") are pleased to announce that the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 are as follows:–

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010

	Note	**2010** **HK$'000**	2009 *HK$'000* Restated
Continuing operations			
Turnover	*3*	**2,214,071**	3,556,973
Operating income	*3*	**372,193**	318,375
Other net income	*3*	**1,348,431**	69,025
Staff costs		**(227,704)**	(71,009)
Depreciation and amortisation expenses		**(16,039)**	(12,142)
Impairment loss on available-for-sale securities		**(15,731)**	(21,186)
Other operating expenses		**(84,342)**	(47,772)
Profit from operations		**1,376,808**	235,291
Finance costs		**(34,775)**	(11,895)
Gain on deemed disposal of interest in associates	*8(b)*	**–**	3,175,642
Share of profits less losses of associates	*8(b)*	**833,456**	1,349,289
Share of profits less losses of jointly controlled entities		**(3,537)**	(915)
Profit before taxation		**2,171,952**	4,747,412
Income tax	*4*	**(112,805)**	(68,189)
Profit from continuing operations		**2,059,147**	4,679,223
Discontinued operations			
Profit from discontinued operations	*5*	**107,810**	79,362
Profit for the year		**2,166,957**	4,758,585

	Note	2010 HK$'000	2009 HK$'000 Restated
Profit attributable to equity shareholders of the Company:			
Continuing operations		**1,819,397**	4,678,279
Discontinued operations	5	**107,810**	79,362
		1,927,207	4,757,641
Non-controlling interests		**239,750**	944
Profit for the year		**2,166,957**	4,758,585
Basic earnings per share	*7(a)*		
Continuing operations		**HK$1.122**	HK$2.938
Discontinued operations		**HK$0.067**	HK$0.051
		HK$1.189	HK$2.989
Diluted earnings per share	*7(b)*		
Continuing operations		**HK$1.121**	HK$2.933
Discontinued operations		**HK$0.067**	HK$0.051
		HK$1.188	HK$2.984

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
Profit for the year	**2,166,957**	4,758,585
Continuing operations		
Other comprehensive income for the year (after tax and reclassification adjustments):		
Net movement in fair value reserve of available-for-sale securities	**3,640,416**	3,655,911
Share of investment revaluation reserve and exchanges reserve of associates	**301,498**	56,569
Exchange rate adjustments	**93,229**	433
	4,035,143	3,712,913
Total comprehensive income for the year	**6,202,100**	8,471,498
Attributable to:		
Equity shareholders of the Company	**5,389,966**	8,250,188
Non-controlling interests	**812,134**	221,310
Total comprehensive income for the year	**6,202,100**	8,471,498

CONSOLIDATED BALANCE SHEET
As at 31 December 2010

	Note	31 December 2010 HK$'000	31 December 2009 HK$'000
Non-current assets			
Fixed assets		**560,035**	420,738
Investments in associates	*8*	**9,225,584**	8,737,541
Investments in jointly controlled entities	*9*	**84,863**	84,266
Available-for-sale securities	*10*	**13,533,672**	8,938,617
Financial assets designated at fair value through profit or loss	*11*	**907,656**	344,530
Advances to customers	*12*	**551,353**	771,596
Amount due from an investee company	*13*	**145,794**	–
Intangible assets		**–**	1,250
		25,008,957	19,298,538
Current assets			
Advances to customers	*12*	**655,964**	969,494
Amounts due from associates		**–**	749,770
Amounts due from jointly controlled entities		**–**	1,197
Debtors, deposits and prepayments	*14*	**515,805**	708,325
Trading securities		**716,200**	487,415
Cash and cash equivalents		**4,578,384**	2,094,510
		6,466,353	5,010,711
Assets classified as held for sale	*15*	**2,466,350**	
		8,932,703	
Current liabilities			
Creditors, deposits received and accrued charges	*16*	**(328,977)**	(829,796)
Trading securities		**–**	(29,057)
Bank loans		**(615,576)**	–
Notes payable		**(143,295)**	–
Amounts due to associates		**(438)**	(438)
Amount due to ultimate holding company		**–**	(63)
Provision for taxation		**(569,063)**	(536,999)
		(1,657,349)	(1,396,353)
Liabilities classified as held for sale	*15*	**(828,677)**	
		(2,486,026)	
Net current assets		**6,446,677**	3,614,358
Total assets less current liabilities		**31,455,634**	22,912,896

	Note	**31 December 2010** *HK$'000*	31 December 2009 *HK$'000*
Non-current liabilities			
Bank loans		**(476,786)**	(397,145)
Financial liability designated at fair value through profit or loss		**(38,917)**	–
Notes payable		**–**	(114,115)
Deferred tax liabilities		**(768,460)**	(542,460)
		(1,284,163)	(1,053,720)
NET ASSETS		**30,171,471**	21,859,176
CAPITAL AND RESERVES			
Share capital	*17*	**1,723,563**	1,592,264
Reserves		**26,417,060**	19,392,913
Total equity attributable to shareholders of the Company		**28,140,623**	20,985,177
Non-controlling interests		**2,030,848**	873,999
TOTAL EQUITY		**30,171,471**	21,859,176

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

		Attributable to the shareholders of the Company											
		Share capital	Share premium	Option premium reserve	Investment revaluation reserve	Capital redemption reserve	Goodwill reserve	Capital reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 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 non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	351,894	351,894
Dividends paid	6	–	–	–	–	–	–	–	–	(469,587)	(469,587)	–	(469,587)
Profit for the year		–	–	–	–	–	–	–	–	4,757,641	4,757,641	944	4,758,585
Other comprehensive income for the year		–	–	–	3,474,301	–	–	–	18,246	–	3,492,547	220,366	3,712,913
As at 31 December 2009 and 1 January 2010		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
Placement of new shares		129,000	2,155,335	–	–	–	–	–	–	–	2,284,335	–	2,284,335
Shares issued under share option scheme		2,299	7,835	(2,921)	–	–	–	–	–	–	7,213	–	7,213
Net investment by non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	344,715	344,715
Dividends paid	6	–	–	–	–	–	–	–	–	(526,068)	(526,068)	–	(526,068)
Profit for the year		–	–	–	–	–	–	–	–	1,927,207	1,927,207	239,750	2,166,957
Other comprehensive income for the year		–	–	–	3,010,761	–	–	–	451,998	–	3,462,759	572,384	4,035,143
As at 31 December 2010		1,723,563	7,887,639	1,116	8,071,021	2,984	(924,395)	109,714	1,056,393	10,212,588	28,140,623	2,030,848	30,171,471

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(1,236,165)**	(1,784,815)
INVESTING ACTIVITIES		
Purchase of fixed assets	**(166,110)**	(62,823)
Proceeds from disposal of fixed assets	**141**	23
(Increase)/decrease in deposits pledged	**(391,328)**	513,144
Purchase of available-for-sale securities	**(1,402,533)**	(746,731)
Purchase of financial assets designated at fair value through profit or loss	**(341,571)**	(177,268)
Investment in associates	**–**	(17,021)
Investment in jointly controlled entities	**(4,702)**	(85,181)
Proceeds from disposal of available-for-sale securities	**1,411,717**	104,952
Proceeds from disposal of financial assets designated at fair value through profit or loss	**36,846**	–
Proceeds from issuance of financial liability at fair value through profit or loss	**38,917**	–
Bank interest received	**11,428**	9,022
Dividends from investments in securities	**167,843**	204,336
Dividends from associates	**1,397,417**	–
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	**758,065**	(257,547)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	**(478,100)**	(2,042,362)
FINANCING ACTIVITIES		
Issue of ordinary shares	**2,291,548**	5,483
Issue of shares in subsidiaries to non-controlling shareholders	**405,370**	302,509
Redemption of shares by non-controlling shareholders	**–**	(92)
Proceeds from bank loans	**695,217**	397,145
Dividends paid to non-controlling shareholders	**(7,883)**	–
Dividends paid	**(526,068)**	(469,587)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**2,858,184**	235,458

	2010	2009
	HK$'000	*HK$'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**2,380,084**	(1,806,904)
CASH AND CASH EQUIVALENTS		
Beginning of year	**2,035,739**	3,846,756
Exchange rate adjustments	**78,525**	(4,113)
End of year	**4,494,348**	2,035,739
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash – general accounts	**4,578,384**	2,094,510
Deposits pledged	**(450,099)**	(58,771)
Cash and cash equivalents classified as assets held-for-sale	**366,063**	–
End of year	**4,494,348**	2,035,739

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 2009 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 2010, but is derived from those financial statements.

2. CHANGES IN ACCOUNTING POLICIES

For the year ended 31 December 2010, the Group adopted the following significant changes to HKFRSs. On 1 January 2010, the Group adopted the revised HKFRS 3 'Business Combinations'('IFRS 3') and the amendments to HKAS 27 'Consolidated and Separate Financial Statements'. The main changes under the standards are that:

– acquisition-related costs are recognised as an expense in the income statement in the period in which they are incurred;

– all consideration transferred, including contingent consideration, is recognised and measured at fair value at the acquisition date;

– equity interests held prior to control being obtained are remeasured to fair value at the date of obtaining control, and any gain or loss is recognised in the income statement;

– changes in a parent's ownership interest in a subsidiary that do not result in a change of control are treated as transactions between equity holders and are reported in equity; and

– an option is available, on a transaction-by-transaction basis, to measure any non-controlling interests (previously referred to as minority interests) in the entity acquired either at fair value, or at the non-controlling interests' proportionate share of the net identifiable assets of the entity acquired.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. None of these changes in policy have a material impact on the current or comparative periods.

3. OPERATING INCOME AND OTHER NET INCOME

Continuing operations

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

	2010	2009
	HK$'000	*HK$'000*
Operating income		
Consultancy and management fee income	**52,565**	16,959
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	**10,814**	7,527
– advances to customers	**129,340**	70,659
– unlisted debt securities	**13,433**	16,713
– others	**165**	637
Dividend income		
– listed investments	**156,510**	25,847
– unlisted investments	**7,671**	178,489
Gross rental income from investment properties	**1,695**	1,544
	372,193	318,375
Other net income		
Net realised gain/(loss) on trading securities		
– equity securities	**59,777**	(76,792)
– debt securities	**1,794**	1,464
– derivatives	**(25,614)**	(66,721)
	35,957	(142,049)
Net unrealised gain/(loss) on trading investments		
– equity securities	**(21,215)**	(62,179)
– debt securities	**1,665**	(1,621)
– derivatives	**29,963**	201,106
Net gain on disposal of available-for-sale securities	**1,057,740**	45,216
Realised gain on financial assets designated at fair value through profit or loss	**8,543**	–
Unrealised gain/(loss) on financial assets designated at fair value through profit or loss	**245,877**	(29,254)
Loss on disposal of fixed assets	**(120)**	(149)
Unrealised loss on notes payable	**(29,180)**	(38,156)
Exchange gain/(loss), net	**11,887**	(884)
Reversal of impairment on interests in leasehold land	**–**	83,388
Net surplus on revaluation of investment properties	**2,820**	9,380
Others	**4,494**	4,227
	1,348,431	69,025

Turnover from continuing operations represents the aggregate gross sale proceeds from disposal of trading securities, service fee 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% (2009: 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:

	2010	2009
	HK$'000	*HK$'000*
Company and subsidiaries		
Current taxation		
– Hong Kong profits tax	**25,582**	17,716
– Overseas taxation	**240,661**	31,434
– Over provision in respect of Hong Kong profits tax in prior years	**(180,435)**	(54)
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	**46,044**	34,947
Income tax expense	**131,852**	84,043
Income tax expense from continuing operations	**112,805**	68,189
Income tax expense from discontinued operations	**19,047**	15,854
	131,852	84,043

5. DISCONTINUED OPERATIONS

On 19 November 2010, the Company announced that it had commenced discussions with Everbright Securities Company Limited ("Everbright Securities"), an associated company of the Group (note 8(b)), of the sale and purchase of 51% of the share capital of Everbright Securities (International) Limited.

The Company intends to sell and Everbright Securities intends to purchase 51% the share capital of Everbright Securities (International) Limited. Everbright Securities (International) Limited was incorporated in the British Virgin Islands and is an wholly owned subsidiary of the Company. The wholly owned subsidiaries of Everbright Securities (International) Limited include China Everbright Securities (HK) Limited, China Everbright Forex & Futures (HK) Limited, China Everbright Bullion Investment Limited, China Everbright Wealth Management Limited, China Everbright Research Limited and China Everbright Capital Limited.

Accordingly, the consolidated results of the operations of Everbright Securities (International) Limited are presented as discontinued operations in the financial statements. The presentation of comparative information in respect of the year ended 31 December 2009 has been reclassified to conform to the current year's presentation.

(a) **An analysis of the results of the discontinued operations is as follows:**

	2010	2009
	HK$'000	*HK$'000*
Turnover	**369,337**	268,449
Operating income	**359,910**	266,321
Other net income	**15,696**	16,776
Staff costs	**(106,531)**	(77,673)
Depreciation and amortisation expenses	**(93)**	(80)
Other operating expenses	**(137,479)**	(104,823)
Profit from operations	**131,503**	100,521
Finance costs	**(4,646)**	(5,305)
Profit before taxation	**126,857**	95,216
Income tax	**(19,047)**	(15,854)
Profit from discontinued operations	**107,810**	79,362

(b) **An analysis of the cash flows of the discontinued operations is as follows:**

	2010	2009
	HK$'000	*HK$'000*
Net cash inflow/(outflow) from operating activities	**29,878**	(408,659)
Net cash (outflow)/inflow from investing activities	**(1,226)**	956
Net cash inflow from financing activities	**6**	1
Net increase/(decrease) in cash and cash equivalents	**28,658**	(407,702)

6. DIVIDENDS

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

	2010	2009
	HK$'000	*HK$'000*
– Interim dividend declared and paid of HK$0.13 (2009: HK$0.175) per share	**207,276**	278,608
– Final dividend proposed after the balance sheet date of HK$0.30 (2009: HK$0.2) per share	**517,244**	318,463
	724,520	597,071

The directors proposed a final dividend of HK$0.30 per share for the year ended 31 December 2010 (2009: HK$0.2 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

	2010	2009
	HK$'000	*HK$'000*
– Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.2 (2009: HK$0.12) per share	**318,792**	190,979

7. 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$1,927,207,000 (2009: HK$4,757,641,000) and the weighted average number 1,621,599,935 shares (2009: 1,591,755,527 shares) in issue during the year, calculated as follows:

	2010	2009
Issued shares at 1 January	**1,592,264,212**	1,591,011,712
Effect of shares issued under placement	**27,920,548**	–
Effect of share options exercised	**1,415,175**	743,815
Weighted average number of shares at 31 December	**1,621,599,935**	1,591,755,527

(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$1,927,207,000 (2009: HK$4,757,641,000) and the weighted average number 1,622,775,933 shares (2009: 1,594,373,315 shares), calculated as follows:

	2010	2009
Weighted average number of shares at 31 December	**1,621,599,935**	1,591,755,527
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**1,175,998**	2,617,788
Weighted average number of shares (diluted) at 31 December	**1,622,775,933**	1,594,373,315

8. INVESTMENTS IN ASSOCIATES

(a) Investments in associates:

	2010	2009
	HK$'000	*HK$'000*
Investments, at cost		
Shares listed in Mainland China	**1,782,996**	1,782,992
Unlisted shares in		
– Hong Kong	**40,458**	40,458
– Outside Hong Kong	**18,485**	18,489
Share of post-acquisition reserves	**8,232,433**	7,743,942
	10,074,372	9,585,881
Less:		
Provision for impairment charged against investment costs	**(165,996)**	(165,548)
Goodwill on acquisition	**(682,792)**	(682,792)
Carrying value, net	**9,225,584**	8,737,541
Market value of listed shares in Mainland China	**20,351,040**	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 will end in August 2012.

(b) As at 31 December 2010, particulars of principal associate of the Group are as follows:

Name of associate	**Place of incorporation/ operation**	**Principal activities**	**Percentage of equity interest held by the Company**
Everbright Securities Company Limited ("Everbright Securities")	The PRC	Securities operations	33.33%

For the year ended 31 December 2010, Everbright Securities has recorded an after tax profit of RMB2.22 billion (according to HKFRSs) and the Group's share of profit, under equity accounting method, amounted to HK$833 million.

In 2009, the Group recorded a gain on deemed disposal of HK$3.18 billion as a result of Everbright Securities' shares listing on the Shanghai Stock Exchange on 18 August 2009.

9. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	2010	2009
	HK$'000	*HK$'000*
Share of net assets	**84,863**	84,266

As at 31 December 2010, details of the Group's investments in jointly controlled entities are as follows:

Name of joint venture	**Place of incorporation/ operation**	**Principal activities**	**Particulars of issued capital**	**Percentage of equity interest held by the Company**
Everbright Macquarie Infrastructure Limited	Cayman Islands	Fund management	USD20,000	50.1%
Everbright Guolian Capital Company Limited	The PRC	Venture capital and investment advisory	RMB150,000,000	50.0%*
T&C (Beijing) Asset Management Consulting Limited	The PRC	Assets management	RMB8,000,000	51.0%*

* *Held indirectly*

10. AVAILABLE-FOR-SALE SECURITIES

	2010	2009
	HK$'000	*HK$'000*
At fair value:		
Listed equity securities:		
– Listed in Hong Kong	**99,713**	331,136
– Listed in Mainland China	**10,884,864**	1,765,741
Unlisted equity securities	**2,276,821**	6,676,643
Unlisted debt securities	**–**	165,097
At cost (i):		
Unlisted equity securities	**272,274**	–
	13,533,672	8,938,617

(i) The Group has invested in an unlisted equity investment that does not have a quoted market price in an active market. The investment was recognised as available-for-sale securities measured at fair value (represented by the cost of investment) at 31 December 2009. At 31 December 2010, the investment was reclassified as available-for-sale securities measured at cost less impairment because (a) the variability in the range of reasonable fair value estimates is significant for that investment; and (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

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 19(b)).

The Group held the following principal available-for-sale security as at 31 December 2010:

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	4.51%

(i) At 31 December 2010, the carrying value of interests in Everbright Bank exceeded 10% of total assets of the Group.

On 18 August 2010, Everbright Bank's shares were successfully listed on the Shanghai Stock Exchange through an initial public offering of 7 billion new shares at an issue price of RMB3.10 per share.

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

	2010	2009
	HK$'000	*HK$'000*
At fair value:		
Hong Kong listed equity securities	**161,945**	92,662
Overseas unlisted equity securities	**417,618**	178,405
Overseas unlisted convertible preference shares	**13,421**	4,527
Overseas unlisted debt securities	**314,672**	58,129
Hong Kong unlisted debt securities	**–**	10,807
	907,656	344,530

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 19(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:

	2010	2009
	HK$'000	*HK$'000*
Beginning of the year	**324,439**	–
(Reduction)/addition	**(210,301)**	324,439
End of the year	**114,138**	324,439

During the reporting period, the Group's interest was diluted due to the admission of new investors as they were admitted at cost plus interest and a proportionate share of expenses before the final closing date on 16 November 2010. In addition, the Group's interest was reduced by the change in fair value of the financial assets before the final closing date.

12. ADVANCES TO CUSTOMERS

	2010	2009
	HK$'000	*HK$'000*
Non-current assets		
Term loans to customers		
– secured	**551,353**	680,820
– unsecured	**–**	90,776
	551,353	771,596
Current assets		
Term loans to customers		
– secured	**561,260**	–
– unsecured	**94,704**	–
Amounts due from margin clients	**–**	973,427
	655,964	973,427
Less: impairment loss	**–**	(3,933)
	655,964	969,494

Certain term loans to customers are secured by listed and unlisted securities, and 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:

	2010	2009
	HK$'000	*HK$'000*
Repayable on demand	**–**	973,427
Over 3 months to 1 year	**655,964**	–
1 to 5 years	**551,353**	771,596
	1,207,317	1,745,023

13. AMOUNT DUE FROM AN INVESTEE COMPANY

Amounts due from an investee company is unsecured, interest free and have no fixed terms of repayment. The Group had no intention to demand repayment within one year.

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	2010	2009
	HK$'000	*HK$'000*
Accounts receivable, net	**205,027**	615,663
Deposits, prepayments and other receivables	**310,778**	92,662
	515,805	708,325

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

	2010	2009
	HK\$'000	*HK\$'000*
Within 1 month	**205,027**	613,482
Within 1 to 2 months	**–**	282
Within 2 to 3 months	**–**	1,042
Within 3 to 6 months	**–**	34
Over 6 months	**–**	6,179
	205,027	621,019
Less: impairment loss	**–**	(5,356)
	205,027	615,663

As at 31 December 2010, accounts receivable are mainly due from brokers.

Accounts receivable of 2009 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.

15. NET ASSETS HELD FOR SALE

The carrying amount of major classes of assets and liabilities classified as net assets held for sale are analysed as follows:

	2010
	HK\$'000
Assets classified as held for sale	
Fixed assets	**13,240**
Intangible assets	**1,250**
Deferred tax assets	**200**
Advances to customers	**1,198,239**
Debtors, deposits and prepayments	**887,358**
Cash and cash equivalents	**366,063**
Total assets	**2,466,350**
Liabilities classified as held for sale	
Creditors, deposits received and accrued charges	**(823,426)**
Provision for taxation	**(5,251)**
Total liabilities	**(828,677)**

16. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2010	2009
	HK$'000	*HK$'000*
Accounts payable	**48,819**	468,475
Other creditors, deposits received and accrued charges	**280,158**	361,321
	328,977	829,796

As at 31 December 2010, accounts payable are all due within one month and are mainly amounts due to brokers.

Accounts payable of 2009 are all due within one month and comprise principally amounts due to brokerage clients, brokers and clearing houses.

17. SHARE CAPITAL

	2010	2009
	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	**1,592,264**	1,591,012
Shares issued under placement	**129,000**	–
Shares issued under share option scheme	**2,299**	1,252
At 31 December	**1,723,563**	1,592,264

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.

18. SEGMENT INFORMATION

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

- 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.

Segment results are measured in accordance with HKFRS as profit/(loss) before taxation less non-controlling interest's 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 2010:

	Continuing operations							Discontinued operations			
	Asset Management *HK$'000*	Asset Investment *HK$'000*	Direct Investment *HK$'000*	Strategic Investment *HK$'000*	Reportable segment total *HK$'000*	All other segments *HK$'000*	Sub-total *HK$'000*	Brokerage *HK$'000*	Investment Banking *HK$'000*	Sub-total *HK$'000*	Total *HK$'000*
REVENUE											
Operating imcome from external custmers	19,463	31,128	156,422	150,903	357,916	14,277	372,193	255,247	104,663	359,910	732,103
Inter-segment revenue	-	-	4,735	-	4,735	591	5,326	167	2,280	2,447	7,773
Operating income from external customers and inter-segment revenue	19,463	31,128	161,157	150,903	362,651	14,868	377,519	255,414	106,943	362,357	739,876
Other net income from external customers	94,728	417	1,270,236	9,021	1,374,402	(25,971)	1,348,431	12,427	3,269	15,696	1,364,127
Total operating income and other net income	114,191	31,545	1,431,393	159,924	1,737,053	(11,103)	1,725,950	267,841	110,212	378,053	2,104,003
RESULTS AND RECONCILIATION OF SEGMENT RESULTS											
Segment results before non-controlling interests	81,804	3,806	1,332,988	152,749	1,571,347	(23,701)	1,547,646	104,452	56,073	160,525	1,708,171
Unallocated head office and corporate expenses							(205,613)			(33,668)	(239,281)
Share of profit less losses of associate							833,456			-	833,456
Share of profits less losses of jointly controlled entities							(3,537)			-	(3,537)
Profit before taxation							2,171,952			126,857	2,298,809
Less: Non-controlling interests	(5,567)	(241)	(242,183)	714	(247,277)	7,527		-	-		
Segment results	76,237	3,565	1,090,805	153,463	1,324,070	(16,174)		104,452	56,073		
Interest income	2,870	8	87,554	60,114	150,546	3,206	153,752	83,659	211	83,870	237,622
Interest expenses	6	-	31,288	-	31,294	3,481	34,775	4,646	-	4,646	39,421
Depreciation and amortisation *(Note)*	-	215	4,138	-	4,353	740	5,093	93	-	93	5,186
Impairment loss on available-for-sale securities	8,930	-	2,945	-	11,875	3,856	15,731	-	-	-	15,731

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

For the year ended 31 December 2009:

	Continuing operations							Discontinued operations			
	Asset Management	Asset Investment	Direct Investment	Strategic Investment	Reportable segment total	All other segments	Sub-total	Brokerage	Investment Banking	Sub-total	Total
	HK$'000	*HK$'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)	(Restated)
REVENUE											
Operating income from external customers	27,987	37,406	84,676	165,664	315,733	2,642	318,375	220,393	45,928	266,321	584,696
Inter-segment revenue	–	–	4,539	–	4,539	742	5,281	168	1,960	2,128	7,409
Operating income from external customers and inter-segment revenue	27,987	37,406	89,215	165,664	320,272	3,384	323,656	220,561	47,888	268,449	592,105
Other net income from external customers	51,901	(3,844)	(23,631)	(10,807)	13,619	55,406	69,025	16,385	391	16,776	85,801
Total operating income and other net income	79,888	33,562	65,584	154,857	333,891	58,790	392,681	236,946	48,279	285,225	677,906
RESULTS AND RECONCILIATION OF SEGMENT RESULTS											
Segment results before non-controlling interests	51,615	941	10,780	153,017	216,353	53,532	269,885	81,471	24,789	106,260	376,145
Unallocated head office and corporate expenses							(46,489)			(11,044)	(57,533)
Gain on deemed disposal of interests in associates							3,175,642			–	3,175,642
Share of profit less losses of associate							1,349,289			–	1,349,289
Share of profits less losses of jointly controlled entities							(915)			–	(915)
Profit before taxation							4,747,412			95,216	4,842,628
Less: Non-controlling interests	190	(3,185)	552	–	(2,443)	1,499		–	–		
Segment results	51,805	(2,244)	11,332	153,017	213,910	55,031		81,471	24,789		
Interest income	16,827	15	66,409	12,285	95,536	–	95,536	53,037	5,211	58,248	153,784
Interest expenses	146	–	11,728	21	11,895	–	11,895	5,305	–	5,305	17,200
Depreciation and amortisation *(Note)*	–	366	1,353	–	1,719	2,754	4,473	80	–	80	4,553
Impairment loss on available-for-sale securities	–	13,426	7,760	–	21,186	–	21,186	–	–	–	21,186
Impairment loss on goodwill	–	4,941	–	–	4,941	–	4,941	–	–	–	4,941

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

Other Information

As at 31 December 2010

	Continuing operations							Discontinued operation				
	Asset Management	Asset Investment	Direct Investment	Strategic Investment	Reportable segments total	All other segments	Sub-total	Brokerage	Investment Banking	Sub-total	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
Segment assets	**1,319,842**	**1,581,763**	**5,986,210**	**11,665,373**	**20,553,188**	**1,288,937**	**21,842,125**	**2,433,235**	**33,115**	**2,466,350**	**(117,169)**	**24,191,306**
Investment in associates												**9,225,584**
Investment in jointly controlled entities												**84,863**
Amount due from an investee company												**145,794**
Unallocated head office and corporate assets												**294,113**
Total assets												**33,941,660**
Segment liabilities	**55,816**	**14,817**	**1,264,963**	**38,917**	**1,374,513**	**243,659**	**1,618,172**	**818,720**	**4,706**	**823,426**	**(117,169)**	**2,324,429**
Provision for taxation												**574,314**
Deferred tax liabilities												**768,460**
Unallocated head office and corporate liabilities												**102,986**
Total liabilities												**3,770,189**
Additions to non-current segment assets during the year	**–**	**69**	**5,182**	**–**	**5,251**	**166**	**5,417**	**135**	**–**	**135**	**–**	**5,552**

As at 31 December 2009

	Continuing operations							Discontinued operations				
	Asset Management	Asset Investment	Direct Investment	Strategic Investment	Reportable segments total	All other segments	Sub-total	Brokerage	Investment Banking	Sub-total	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	1,475,479	441,571	4,110,643	6,572,235	12,599,928	1,264,106	13,864,034	1,505,735	17,672	1,523,407	(5,380)	15,382,061
Investment in associates												8,737,541
Investment in jointly controlled entities												84,266
Unallocated head office and corporate assets												105,381
Total assets												24,309,249
Segment liabilities	6,028	11,377	425,215	29,057	471,677	380,494	852,171	466,870	2,931	469,801	(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	–	–	–	–	143

(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, interests in associates and jointly controlled entities, the geographical location is based on the location of operations.

	For the year ended 31 December 2010			For the year ended 31 December 2009		
	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 revenue						
Operating income						
– Continuing operations	**175,172**	**197,021**	**372,193**	202,177	116,198	318,375
– Discontinued operations	**359,910**	**–**	**359,910**	266,321	–	266,321
Other net income						
– Continuing operations	**92,132**	**1,256,299**	**1,348,431**	69,737	(712)	69,025
– Discontinued operations	**15,696**	**–**	**15,696**	16,776	–	16,776
	642,910	**1,453,320**	**2,096,230**	555,011	115,486	670,497

	As at 31 December 2010			As at 31 December 2009		
	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						
Continuing operations	**548,234**	**9,322,248**	**9,870,482**	410,183	8,833,612	9,243,795
Discontinued operations	**14,490**	**–**	**14,490**			

19. CONTINGENT LIABILITIES

(a) Corporate guarantee

	2010	2009
	HK$'000	*HK$'000*
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	**1,203,956**	567,145

The Group's subsidiaries have utilised HK$733,956,000 out of these banking facilities as at 31 December 2010 (31 December 2009: HK$397,145,000). The remaining banking facilities of HK$470,000,000 provided by a financial institution to certain subsidiaries are unutilised as at 31 December 2010.

As at 31 December 2010 and 31 December 2009, 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 2010, the accumulated unrealised gain associated with the relevant projects amounted to HK$2,170 million (31 December 2009: HK$1,772 million). If all relevant projects were disposed of on 31 December 2010 at their fair value, the amount of incentive project bonus payable to the investment team would be approximately HK$231 million (31 December 2009: HK$202 million).

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.30 per share for the year ended 31 December 2010 (2009: HK$0.20 per share). Together with the interim dividend of HK$0.13 per share, the aggregate dividend for the year is HK$0.43 per share (2009: HK$0.375 per share).

The proposed final dividend, which is subject to shareholders' approval at the forthcoming Annual General Meeting, is expected to be paid on or about Wednesday, 1 June 2011 to those shareholders whose names appeared on the register of members of the Company on Friday, 13 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 13 May 2011 to Wednesday, 18 May 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 12 May 2011.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Concord I, 8/F., Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on Wednesday, 18 May 2011.

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 2010.

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 2010.

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 annual results of the Group for the year ended 31 December 2010, and discussed the auditing, internal control and financial reporting matters.

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

Hong Kong, 29 March 2011

CHAIRMAN'S STATEMENT

The global economic and financial environment was exceptionally complex in 2010. European countries suffered one sovereign debt crisis after another, creating turmoil in the international financial market. The QE2 policy of the United States did not revitalise the American but worsened the excess liquidity environment globally and inflation in such economies as Hong Kong and the Mainland. Generally, under contrasting heating up and cooling economies in Eastern and Western worlds, the W-shaped states will linger on for a relatively long period.

China's economy maintained rapid growth during the year. However, China faced high pressure from potential inflation due to the excess liquidity environment globally and the impact of the RMB18 trillion in loans offered for economic growth in the previous two years. As a result, China's monetary stance shifted from "moderately loose" to "prudent", slowing the growth rate in loans. Tightened regulations on the financial industry globally and the incoming Basel III new regulations will expose China's banking sector to more stringent requirements in terms of its capital, adding to its pressure in raising funds. In addition, as China deepens its industrial restructuring and eliminates industries with "high consumption of energy, high pollution and resources-related" features, financial institutions will suffer from increasing credit risks. All these impacted Hong Kong's capital market last year.

As such, the Group set their foothold in Hong Kong. Under the sound growth momentum of its parent company, China Everbright Group, in recently years, the Group continued to push forward its strategic transformation, accelerate the construction of a large-scale, cross-border asset management platform and keep enhancing its strengths and brand advantages in its private equity by making full use of Hong Kong's position as an international financial centre and its easy access to connect the capital markets at home and abroad. Under the "3+2 Macro Asset Management" strategy, our efforts throughout the year have rewarded us with sound progress in all business operations. The investment funds under the Group and their investments maintained good momentum. The number of private funds, venture funds, sector funds and hedge funds under management increased to 11, with their total fair value exceeding HK$13.0 billion. The investment projects reported significant increases in value while the shareholders' equity increased sharply for three consecutive years, reaching a historical high of HK$28.1 billion. The maturing fund investment team and the sufficient investment reserves have made the way for the Group's stable growth in future. The Group and Everbright Securities Company Limited ("Everbright Securities") have officially launched their work on integrating fee-based businesses in Hong Kong, comprising Hong Kong investment banking, brokerage and wealth management. With the Group's years of operation in Hong Kong and good risk control and business integration capabilities, combined with Everbright Securities' customer and network resources in the Mainland, the Group expects to gradually build a large-scale, cross-border, fee-based platform with sharper market competitiveness. In addition, the Group grasped the market opportunities during the year for a placement and raised approximately HK$2.28 billion. The sound financial conditions have greatly enhanced the Group's protection against risks and laid a solid foundation for sustained rapid expansion in the future.

During the year, the business of Everbright Securities, in which the Group holds a 33.33% stake, maintained stable growth. Despite the increasingly fierce market competition, the market share of traditional businesses such as brokerage and investment banking steadily grew and secured its leading position among innovative financial businesses. Everbright Securities became the first batch of securities traders allowed to participate in margin financing, stock borrowing and index-based financial futures businesses in the Mainland. Its major business performance indicators stayed in the top 10 within the industry. China Everbright Bank Co., Ltd. ("Everbright Bank"), in which the Group holds a 4.51% stake, reported an asset size in excess of RMB1,500 billion at the end of 2010, with growing profitability and ever-improving asset quality. Everbright Bank successfully listed on the Shanghai Stock Exchange on 18 August 2010, which has greatly enhanced its capital strength and brand influence.

In 2010, the Group achieved a profit attributable to shareholders of HK$1.93 billion, an increase of 22% over the same period last year after deducting the one-off book profit of HK$3.18 billion brought by the listing of Everbright Securities in 2009. The shareholders' equity amounted to HK$28.1 billion, a significant increase of HK$7.2 billion compared to the end of 2009. The Board of Directors recommended the payment of a final dividend of HK$0.30 per share (2009: HK$0.20). Together with the interim dividend of HK$0.13 per share, the annual dividend in 2010 was HK$0.43 per share (2009: HK$0.375).

We are convinced that in 2011, despite considerable uncertainties of international economic and financial situations and such challenge as economic restructuring in China, the Chinese economy will continue to grow rapidly. In particular, after more than two decades of rapid economic growth, the wealth accumulated in China will be seeking more investment channels to achieve reasonable returns. The rise and development of some emerging strategic industries also creates opportunity for foreign capital to share the benefits of China's economic growth by investing in Mainland enterprises. The rapidly growing "3+2 Macro Asset Management" platform established by us will directly benefit. China remains one of the fastest-growing capital markets in the world. Despite its volatility and immaturity as an emerging market, the overall trend of the economy is favourable. As the proportion of direct financing gradually increases, the Chinese capital market has extremely great potential for development, creating more opportunities for accelerating the development of the Group's fee-based businesses and asset management business.

The Group grew steadily and attained good results in 2010. I would like to express my sincere gratitude to our shareholders, clients, the general public, members of the Board, the management and employees for their support and dedication. I believe that with your consistent support, the Group will be able to further reinforce and demonstrate its advantages, creating more wealth and value for its shareholders and clients.

Tang Shuangning
Chairman

Hong Kong, 29 March 2011

CHIEF EXECUTIVE OFFICER'S REPORT

Following the economic development of the previous years, demands on diversified investment products saw a significant increase as a result of continual wealth accumulation by Chinese companies and individuals. With the gradual opening up of the national financial policy and the steady progress of the internationalization of the Renminbi, China's domestic capital will enter the international market at an accelerated pace. In addition, the expansion of the capital markets in China and Hong Kong created favourable conditions for numerous small to medium-sized companies to realize business development breakthroughs and enhance their corporate value through public listings. This also generated vast investment opportunities for overseas investors.

Facing this opportunity, the Group under the Board's leadership, and in adherence to our "3+2 Macro Asset Management" strategy, are striving to transform our business so as to create an international asset management platform that connects the demand of domestic and overseas clients, assists overseas clients in identifying and participating in China's high potential of growth and provides services to domestic clients who invest overseas. Our range of fund products, funds under management and investment projects have developed substantially compared to the prior year.

In 2010, we established various funds and investments under the Group's "3+2 Macro Asset Management" platform, increasing the size of our funds and the value of our investment projects. Despite the poor performance of China's securities market, our associated company Everbright Securities managed to maintain encouraging results. An official schedule has been proposed in regard to Everbright Securities' integration with the Group's fee-based businesses in Hong Kong. The successful listing of Everbright Bank not only enhanced the Group's value, but also created favourable conditions for providing the Group with stable cash revenue. Additionally, during the year the Group raised its capital successfully through the timely issuance of new shares. Our sound financial position further increased the Group's capability to guard against risks, laying the foundation for the Group's rapid expansion.

OPERATING RESULTS

For the year ended 31 December 2010, the Group's profit attributable to shareholders amounted to HK$1.93 billion, a 59% decrease compared to the same period last year, while earnings per share recorded HK$1.19, a 60% decrease compared to the same period last year. Excluding the one-off gain of HK$3.18 billion due to the listing of Everbright Securities in 2009, net profit grew by 22% over the same period last year while earnings per share increased by 20% compared to the same period last year.

During the period, profit of Everbright Securities attributable to the Group was HK$833 million, a 38% decrease compared to the same period last year, while dividend income contributed by Everbright Bank was HK$84 million, a 44% decrease compared to the same period last year. During the period, benefiting from the significant appreciation of the positions held by various investment funds under management, the listing of Everbright Bank and the placing and fund-raising activities, shareholders' equity of the Group increased to HK$28.1 billion, a leap of 34% compared to the same period last year, and net assets per share also improved significantly to HK$16.3, a 24% growth compared to the same period last year.

During the period, the Group placed new shares at HK$18 per share on 5 October 2010, which generated proceeds of approximately HK$2.28 billion. As of 31 December 2010, the Group's interest-bearing liabilities were only HK$1.1 billion, with the gearing ratio maintaining at a substantially low level of 3.9%.

HONG KONG OPERATIONS

The market was highly volatile in 2010. Some European countries experienced debt crises while Mainland China started to tighten its monetary policy and further strengthened regulations towards some sectors such as real estate. However, due to the US Federal Reserve's quantitative easing policy and the continual growth of the Chinese economy, Hong Kong's economy started to recover with a vast inflow of capital in the territory's capital market. As the Group engages in cross-border financial activities, an abundance of market liquidity will create more business opportunities for us.

Against this backdrop, the Group's "3+2 Macro Asset Management" businesses developed rapidly. In terms of "3", by leveraging the Group's extensive network in the Mainland and the expertise of the professional management team, our fund investment and management businesses such as direct investment, asset investment and asset management fostered various investment funds to invest in a number of unlisted investments at reasonable costs, while the initiation and financing of new investment funds also achieved great progress. During 2010, the number of investment funds under the Group's management increased to 11. The total amount financed by the funds was approximately HK$10.5 billion, with a fair value of approximately HK$13.0 billion. The types of funds included overseas private equity funds, domestic venture capital funds, real estate and new energy industry funds, hedge funds, and secondary market funds for small to medium-sized businesses. The number of projects invested by the funds increased to 23. The increase in fund products not only offered clients more options to flexibly allocate their assets, but also stabilized our profits effectively as this allowed the Group to form a constructive cycle between investing in and exiting the projects. In terms of "2", fee-based operations such as investment banking, brokerage and wealth management grew steadily. Particularly, investment banking started to enter the harvest stage following cultivation over the past few years. The number of projects regarding initial listing sponsorship and underwriting recorded a new high. Leveraging the Group's robust capital strength, brokerage and wealth management's commissions and revenue from client loans and financing continued their steady growth.

For 2010, the operating income of the Group's operations amounted to HK$732 million, representing an increase of 25% compared with the same period last year. The profit before tax of our Hong Kong operations was HK$1.47 billion, a significant increase of 361%. Total outgoings increased by 85% to HK$612 million, with staff costs increasing by HK$186 million to HK$334 million over the same period last year, attributable mainly to the increase in performance-based incentive bonuses for the management and the staff as well as additional recruits. Total cost-to-income ratio was 29%, which was 20% lower compared with 49% for the same period last year.

- **Direct Investment**

The Direct Investment Division reported HK$1.33 billion in pre-tax profit for the year, a significant increase of 120-fold compared with the same period last year. The number of direct investment projects increased by 10 with the total number of projects in investment stage increasing to 22 during the year. As a pioneer of direct investment in the Mainland among domestically funded enterprises, the Group has set up four overseas private equity funds and three Mainland venture capital funds since the establishment of the first overseas private equity fund, Seabright China Special Opportunities (I) Limited ("SOF I") in 2004. The Direct Investment Division has established a sound mechanism for its team building, task assignment, project research, risk control, etc. over the years and become an important contributor to the Group's profits with ever-expanding fund size and increasing number of projects in divestment stage.

For overseas private equity funds, SOF I and "China Special Opportunities Fund, L.P. ("CSOF") and its "parallel investment fund" set up earlier have raised US$250 million. The funds primarily targeted unlisted enterprises with sound operating models and high growth potential. Over the past few years, by identifying the opportunities arising in the cycle of Chinese economy and capital market, the investment team has successfully invested in such high growth areas as industrial, service and high-tech industries, and capitalized on the enterprises with support of government policies and great development potentials. Following the listing of Techfaith Wireless Technology Ltd., China High Speed Transmission Equipment Group Co., Ltd., Goldwind Science & Technology Co., Ltd. and China Sunshine Paper Holdings Company Limited, our investment project iSoftStone Holdings Limited was also successfully listed on the New York Stock Exchange during the year, bringing rich returns to the Group and the fund investors.

As SOF I has entered the divestment stage, the management team has divested some projects at opportune moments during the year and accelerated IPO preparations for some of the remaining projects. During 2010, 3 projects have been added to the portfolio of CSOF and its parallel investment fund. The fund has completed its investment stage, in which its investment targets were a number of high-quality enterprises including Wufeng Rice, Yuancheng Logistics, UnionPay Commercial, and Beingmate. On the base of the aforesaid funds, the Group established China Special Opportunities Fund III ("CSOF III") at the end of 2010. The fund aims at such high growth industries in the Mainland as agriculture, consumer, services and financial services. The fund has successfully raised US$400 million. In telling testimony to overseas investors' confidence in China's economic development and our fund management team, two-third of which were from overseas retirement funds, university endowment and high-end individual investors. Domestic venture capital funds mainly targeted emerging small and medium unlisted enterprises. Three new projects were added to the portfolio of the Renminbi venture capital fund formed between the Group and Beijing Zhongguancun. Most project investments for the fund were completed. At present, active assistance is being provided to the pre-IPO preparations of the relevant projects. Meanwhile, the two venture capital funds formed with local enterprises of Wuxi city and Jiangyin city of Jiangsu province, each with capital of RMB500 million, started to make investments in projects after completing corporate registration and fund management team recruitment. As of 31 December 2010, the total number of investment projects at investing stage of domestic venture capital funds had increased to 10.

- **Asset Investment**

The Asset Investment Division reported HK$3.8 million of pre-tax profit for the year, a 304% increase compared with the same period of last year. Based on cross-sector investments of direct investment operations, the Group intends to establish profession teams to explore opportunities in industries with mid-to long-term growth potential to maximize the benefit from their long-term growth. As of the end of 2010, the Asset Investment Division had developed two investment funds focusing on real estate and new energy. The first tranche subscription for Infrastructure Fund, a joint venture entered into with Macquarie, is in the final stage.

Everbright Ashmore China Real Estate Fund (formerly named Everbright ALAM China Real Estate Fund) continued to expand commercial retail property projects in second and third tier cities in the Mainland. The preparations for Chongqing Da Rong City Project have been completed with active rental activities and significant growth in the project value. During the year, the Group acquired a 51% stake in T&C Asset Management Consulting Ltd. after in-depth research into several projects. The acquisition will greatly enhance the fund's managing capabilities in commercial property. During the year, the Division's real estate fund signed a U.K. asset management company, Ashmore, as a strategic investor. Ashmore holds no more than 39% of equity in the real estate fund management company. The introduction of this strategic investor underlines overseas investors' recognition of the Group's management expertise and operating platform, as well as their confidence in the long-term development of China's real estate market. The strategic partnership will also open the Group to new opportunities for future fundraising and development in Europe and other overseas markets. With the support of institutional investors including Ashmore, the fund has completed the second-tranche overseas fund-raising and actively explored capital sources in the Mainland, receiving a trust fund of RMB500 million. As of the end of 2010, the Everbright Ashmore China Real Estate Fund team managed a size of the AUM in excess of US$300 million. During 2010, the Chinese government intensified its control on the property market in the Mainland by regulating bank credit and raising loan interest rate. The relatively tight policies have facilitated the Group in achieving better investment conditions.

The Group also succeeded in diversifying into the new energy sector in its fund management business. During the period, an agreement was reached with a few local enterprises in Jiangyin city of Jiangsu province to establish a RMB3 billion new energy fund through a joint venture, with a special focus on low-carbon projects. The first tranche, of RMB1 billion was fully subscribed during the period. The fund management team, the recruitment of which has been completed, is currently identifying suitable investment opportunities through the Group's network.

We have completed several roadshows of the China Infrastructure Fund, a joint venture entered into with Macquarie through the global network of Macquarie. A number of major foreign institutional investors have confirmed their investment commitments. We are highly optimistic about the first round fund-raising and have made ready a number of feasible investment projects.

- **Asset Management**

  The Asset Management Division reported pre-tax profit of HK$81.8 million for the year, representing a significant increase of 58% over the same period last year. The Division focuses on the investment opportunities in the secondary market with a view to offering clients more choices for flexible portfolio funds apart from direct investments and asset investments in the primary market. One hedge fund and one SME fund are currently managed by the Division.

  The Greater-China hedging fund ("Dragon Fund") is mainly targeted towards Asia (except Japan), investing in stocks, bonds and currencies, etc. and resorting to a variety of hedging operations for maximum returns. It slightly underperformed against the 5.3% gain of the Hang Seng Index over the same period with a return of 0.9% for the period. In order to boost the Group's profitability from secondary-market funds, an "Equity Advantage Fund" was established with the primary aim of identifying, through meticulous research, small and medium-sized enterprises which are listed overseas and with good potential. The fund has generated a return of 7.6% after building the investment portfolios in the second half of the year.

  In addition, the Group was also actively considering the possibility of introducing or acquiring other asset management teams as an option for faster expansion of the platform for secondary market funds, so as to increase its market share in the secondary market through lower entry cost and while maintaining stability of the current investment teams and AUM.

- **Brokerage and Wealth Management**

  Brokerage and Wealth Management Division which focuses on retail clients as its major source of business, reported HK$104 million of pre-tax profit for the year, representing a 28% growth compared with the same period last year. The performance of the Division is closely related to the trading volume in the Hong Kong stock market. On the back of low interest rates and continuous capital inflows, trading activities in the Hong Kong stock market has been increasingly active since the second half of 2010. Against this backdrop, the Group intensified its marketing efforts and expanded diversified business in securities, gold, futures and foreign exchange, etc., achieving a steady growth in commission income. In addition, the Division saw an increase in market demand and a recovery of interest income generated from IPO activities from clients compared with the same period of last year and the rate of bad debt remained extremely low on the back of continuous recovery of the overall economy and improving market sentiment. During the period, the Group set up a third branch at Mong Kok for securities agency and wealth management, further strengthening its relations with local clients in Hong Kong.

- **Investment Bank**

  The Investment Banking Division reported a 126% growth of pre-tax profit to HK$56 million, compared with the same period of last year. The overall business profile of the Investment Banking Division, primarily focused on SMEs in the Mainland, grew rapidly over the years. During 2010, the Division boosted its profitability by successfully sponsoring the main-board listings of Flyke International Holdings Limited, Tian Shan

Development (Holding) Limited, and China Datang Corporation Renewable Power Co., Limited and the GEM listing of Credit China Holdings Limited in Hong Kong. The listing of China Datang Corporation Renewable Power Co., Limited marked the second successful investment banking cooperation between the Group and Everbright Securities following the IPO of Zijin Mining Group Co., Ltd., showing great room for future cooperation. In addition, China New Economy Fund Limited, sponsored by the Group, was listed on the Hong Kong Stock Exchange on 6 January 2011. It was the first IPO in 2011 as well as the first investment company to listed on the Stock Exchange in compliance with Chapter 21 of the Listing Rules in the past 6 years. The successful listing has been another demonstration of the capabilities of the Group's investment bank team. During the period, the team expanded its income sources by providing financial consulting services for 14 projects.

The Group announced the entry into the negotiation on the sale and purchase of a 51% stake in fee-based operations with Everbright Securities on 19 November 2010, so as to set up a larger platform for the cross-border fee-based operations in cooperation with Everbright Securities. The deal will provide an opportunity for the Group to make use of the extensive client resources and sales network of Everbright Securities in the Mainland and will lay a solid foundation for facilitating clients to participate in stock trading in Hong Kong and overseas investments.

EVERBRIGHT SECURITIES

In 2010, the tightening of the money supply caused repeated fall in the Mainland stock markets in the first half of the year. Market environment improved in the second half year and the trading volume was slightly higher than that recorded for the same period last year, the commission rate of brokerage business in the Mainland was substantially reduced by intense competition. Impacting our revenue, Everbright Securities, in which the Group holds a 33.33% stake, proactively allocated resources and developed new businesses during the period while keeping its existing market shares in traditional businesses such as security brokerage and investment banking. During the year, Everbright Securities reported total revenue of RMB5.78 billion. After-tax profits under Hong Kong Financial Reporting Standards decreased by 33%, year-on-year, to RMB2.22 billion, of which brokerage commissions, proprietary trading, equity issue and underwriting, asset management, interest and other revenue accounted for 63%, 2%, 8%, 11%, 15% and 1% respectively. During the period, its brokerage business continues to rank amongst the top 10 in the industry consistent with prior years. Additionally, its asset management business also achieved sound development, as the performances of its "Sunshine" collective asset management plans came out on top of their peers, of which the asset management scale and investment results ranked 3rd in the market. Everbright Securities was also one of the domestic securities firms approved by the China Securities Regulatory Commission ("CSRC") during the period to pioneer the operation of margin financing, stock borrowing and stock index futures. Everbright Securities once again received the highest ranking in the classification of Mainland securities firms conducted by the CSRC as a Category A – AA securities house.

As at 31 December 2010, Everbright Securities had 107 sales offices nationwide.

EVERBRIGHT BANK

Everbright Bank, in which the Group held a 5.26% stake, successful listed on the Shanghai Stock Exchange on 18 August 2010 with the issue size of approximately RMB21.3 billion. The Group's shareholding in Everbright Bank was therefore diluted to approximately 4.51%.

Everbright Bank reported positive development in its businesses during the year with continuous improvements in asset quality. Based on the unaudited accounts prepared under PRC accounting standards, Everbright Bank's deposits and loan balance as of 31 December 2010 amounted to RMB1,070.9 billion and RMB779.9 billion respectively, representing respective growth of 32.59% and 20.18% compared with the beginning of the year. Profits for the year amounted to RMB12.67 billion, a growth of 65.88% compared to the same period last year. The non-performing loan ratio standing at 0.75%, which was 0.5% lower compared with the beginning of the year. The non-performing loans provisioning coverage ratio was 313.38%, representing an increase of 119.39% compared with the beginning of the year.

As at 31 December 2010, Everbright Bank had 605 branches and sub-branches nationwide.

FINANCIAL POSITION

As at 31 December 2010, the Group's total assets amounted to approximately HK$33.9 billion, with cash on hand of approximately HK$4.9 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 was bank loans of approximately HK$1.1 billion. Those termed bank loans are principally 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 2010, the Group's committed borrowing facilities amounted to approximately HK$1.97 billion. The Group's gearing ratio, calculated as interest-bearing liabilities divided by shareholders' equity was 3.9% as at 31 December 2010 (2009: 1.9%).

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

Except for those disclosed in the notes to financial statements, the Group did not have any material contingent liabilities as at 31 December 2010. The Group had given guarantees for banking facilities available to subsidiaries amounting to approximately HK$1.20 billion. As at 31 December 2010, 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 varied 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 Chief Risk Officer and 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 risks in various areas of business. The Group set up a 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 an 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 (2009: RMB600 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 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 to greater credit risk. The maximum exposure to credit risk in respect of the corporate guarantee at the balance sheet date amounted to HK$1.20 billion (2009: HK$567 million). Further quantitative disclosures in respect of the Group's exposure to credit risk arising from advances to customers are set out in note 12 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 to three years. 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 continually monitored.

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 investments in accordance with 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 2010, the Group's investments in listed securities were not exposed to significant market risk.

EMPLOYEES

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

As at 31 December 2010, the Group had 252 employees in Hong Kong and Mainland China. Total staff costs for the year under review amounted to approximately HK$334 million as noted in the consolidated income statement. Remuneration for employees is based upon their qualifications, experience, job natures, performance and market conditions.

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 was granted to employees (include Directors).

OUTLOOK

Looking into 2011, driven by stimulus policies, developed countries in Europe and the US will gradually coming out of the shadow of the 2008 global financial tsunami and on the path to economic recovery. Following the Chinese Government's adequate downward adjustment to the goal of economic development rate, the prevention of a rapid inflation and expedited adjustment to the economic structure have become policy makers' top priority. Relatively tight monetary policies are expected to remain. Despite a tightening monetary policy which may affect the development rate of certain sectors in the short term, prospects are good for the rapid and stable growth of the PRC economy as the Mainland Government has demonstrated policy continuity and the ability to exercise macro-economic control in its attempt to "sustain growth while adjusting structures". This will create a development opportunity for the Mainland's securities market. In addition, considering that the low interest environment in the US will probably continue for a relatively long period and the international market will probably maintain sufficient liquidity, the Hong Kong economic and capital markets, which are greatly affected by China and the US, will see desirable development conditions within the year.

Following the development in the past years, the effects of the Group "3+2 Macro Asset Management" strategy have started to materialise. As our parent company China Everbright Group's financial flagship in Hong Kong, the Group can conduct various forms of cross border investments and business financing by leveraging the foreign assets management platform with an international operating ability, as well as the advantage of our parent company's network and diversified financial modules in the Mainland. With the gradual opening up of China's financial policy and the accelerated progress of the internationalization of the Renminbi, Hong Kong is developing to become China's foreign assets management centre, thus providing considerable opportunities for the Group's development. However, the Group also faces many challenges: RMB funds are becoming more popular compared to US Dollar funds in the market as a result of the expansion of limited partners in China, the sound policy environment and the gradual removal of the blockage of exit channels. Coupled with a large amount of floating liquidity in the market, the Group is under great pressure from foreign private equity funds' involvement in Mainland projects investment. There is competition for recruiting and retaining talent, and for getting investment projects at reasonable prices. Furthermore, the Group's business development is still unbalanced, with private equity funds, venture capital funds and industry funds focused on the primary market achieving relative fast development while the size of the AUM of hedge fund and SME fund focusing on the secondary market remained small and far from becoming the Group's pillar business. These challenges require more input from the Group's management.

In 2011, the Group mainly aims at expanding the size of the AUM, diversifying the type of funds, and building and completing the cross border operating platform. We will also enhance the head office's capital management and profitability so as to make it an important source of revenue.

With regard to the fund investment and management business of "3" such as direct investment, asset investment and asset management, the foreign private equity fund and domestic venture capital fund under direct investment will utilise the well-established mechanisms to continue exploring mainland China's small to medium sized unlisted companies with high development potential, helping such companies enhance their capital strength and governance standard, as well as enter the capital market as soon as possible. Due to the constantly increasing number of listing projects, each of our funds will continue to invest in and exit from some projects in an orderly manner at opportune moments so as to achieve more stable investment revenue for the Group. In terms of asset investment, the size of the AUM will continue to enlarge following the completion of the first phase of infrastructure fund financing, potentially resulting in a more stable management income for the Group. The Group will also continue to expand its business platform for secondary market funds. In this respect, we hope to recruit more professional teams with proven experience, so that we can quickly establish ourselves in this market segment. With a dual focus on direct investment and asset investment (represented by primary market funds such as private equity and venture capital funds) and asset management (represented by secondary market investments) as mutually complementary operations, this business model will prepare us for capturing business opportunities arising from expedited capital flow across the border while providing a greater variety of investment products for our customers.

With regard to investment banking, brokerage and wealth management business of "2", following the transaction with Everbright Securities, both parties will expedite the integration of the cross-border businesses, enabling more Everbright Securities clients to use the existing Hong Kong business platform to participate in Hong Kong shares and overseas markets transactions. Meanwhile, the strength of the respective investment banking teams will be integrated to provide services to companies which intend to list in Hong Kong. We firmly believe that the integration will effectively increase the market share of such fee-based business in the Hong Kong market, generating greater results for both parties.

As an essential supplement to"3+2 Macro Asset Management", the management will adopt an "investment + financing" approach for projects of high potential but which are unsuitable for investment with existing funds. The Group will fully use its own capital after a thorough research of the industry and the project as well as the demand of a high level of collateral security. While fostering the long-term development of the investee companies and sharing long-term results, credit risks will be managed satisfactorily, so that interest income from financing will become an important revenue source. Furthermore, the Group will work with sister companies of the China Everbright Group to continue searching for acquisition targets in Mainland China, and expand the business scope of the Renminbi asset management at a reasonable price. A complimentary and good collaborating effect with the Hong Kong operations is anticipated.

Following the launch of various innovative businesses such as margin financing and stock indices and futures, combined with its good performance in brokers collective asset management schemes, Everbright Securities will gradually reduce its dependence on the traditional stock brokerage business and diversify its revenue sources. Leveraging its solid capital strength, the competition in the stock brokerage business also creates conditions for its future opportunistic expansion. The successful listing of Everbright Bank marked a milestone in its development. The significant increase in the capital adequacy ratio after listing helps further consolidation and expansion of its advantageous businesses such as wealth management, as well as a closer business cooperation with the Group in product distribution, capital custody and project referrals.

In 2011, the Group's good risk management capability and healthy balance sheet will create favourable conditions for business expansion. We do not intend to compare ourselves with Hong Kong's various large financial institutions such as banks, insurance companies or investment banks in terms of size. Through our well established fund management operating model and cross-border platform, we hope to develop Everbright into a Chinese-funded financial institution that specialises in domains where we have unmatched strengths, explore unique and significant growth potential with clients and investors, and thus realise value and steady growth of wealth. The Group is currently in the prime time since our establishment more than a decade ago. We are fully confident of our future development.

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

Hong Kong, 29 March 2011

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

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

Non-executive Director:
Mr. Wang Weimin

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