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 2011

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 2011 are as follows:–

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	**2011 HK$'000**	2010 HK$'000
Continuing operations			
Turnover	*3*	**3,089,975**	2,214,071
Operating income	*3*	**677,963**	372,193
Other net income	*3*	**747,256**	1,348,431
Staff costs		**(222,354)**	(227,704)
Depreciation and amortisation expenses		**(22,183)**	(16,039)
Impairment loss on available-for-sale securities		**(69,357)**	(15,731)
Impairment loss on amount due from investee company		**(53,564)**	–
Other operating expenses		**(103,671)**	(84,342)
Profit from operations		**954,090**	1,376,808
Finance costs		**(59,354)**	(34,775)
Share of profits less losses of associates		**643,143**	833,456
Share of profits less losses of jointly controlled entities		**(18,913)**	(3,537)
Profit before taxation		**1,518,966**	2,171,952
Income tax	*4*	**(184,964)**	(112,805)
Profit from continuing operations		**1,334,002**	2,059,147
Discontinued operations			
Gain on disposal of subsidiaries	*5*	**511,576**	–
Profit from discontinued operations	*5*	**10,871**	107,810
Profit for the year		**1,856,449**	2,166,957

	Notes	**2011** **HK$'000**	2010 HK$'000
Profit attributable to equity shareholders of the Company:			
Continuing operations		**1,400,258**	1,819,397
Discontinued operations		**522,447**	107,810
		1,922,705	1,927,207
Non-controlling interests		**(66,256)**	239,750
Profit for the year		**1,856,449**	2,166,957
Basis earnings per share	*7(a)*		
Continuing operations		**HK$0.813**	HK$1.122
Discontinued operations		**HK$0.303**	HK$0.067
		HK$1.116	HK$1.189
Diluted earnings per share	*7(b)*		
Continuing operations		**HK$0.813**	HK$1.121
Discontinued operations		**HK$0.303**	HK$0.067
		HK$1.116	HK$1.188

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	2011 **HK$'000**	2010 HK$'000
Profit for the year	**1,856,449**	2,166,957
Other comprehensive income for the year (after tax and reclassification adjustments):		
Net movement in investment revaluation reserve of available-for-sale securities	**(3,047,770)**	3,640,416
Share of investment revaluation reserve and capital reserve of associates	**(203,455)**	301,498
Share of option premium reserve of a jointly controlled entity	**131**	–
Exchange reserve	**143,503**	93,229
	(3,107,591)	4,035,143
Total comprehensive income for the year	**(1,251,142)**	6,202,100
Attributable to:		
Equity shareholders of the Company	**(873,037)**	5,389,966
Non-controlling interests	**(378,105)**	812,134
Total comprehensive income for the year	**(1,251,142)**	6,202,100

CONSOLIDATED BALANCE SHEET
As at 31 December 2011

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000
Non-current assets			
Fixed assets		**569,571**	560,035
Investments in associates	8	**9,700,682**	9,225,584
Investments in jointly controlled entities	9	**510,840**	84,863
Available-for-sale securities	10	**11,211,236**	13,533,672
Financial assets designated at fair value through profit or loss	11	**1,166,953**	907,656
Advances to customers	12	**393,960**	551,353
Amounts due from investee companies	13	**111,823**	145,794
		23,665,065	25,008,957
Current assets			
Advances to customers	12	**1,990,120**	655,964
Amounts due from jointly controlled entities		**334,823**	–
Debtors, deposits and prepayments	14	**722,479**	515,805
Trading securities		**141,672**	716,200
Cash and cash equivalents		**4,246,257**	4,578,384
		7,435,351	6,466,353
Assets classified as held for sale	15	**–**	2,466,350
		7,435,351	8,932,703
Current liabilities			
Creditors, deposits received and accrued charges	16	**(178,813)**	(328,977)
Trading securities		**(206)**	–
Bank loans	17	**(1,063,754)**	(615,576)
Financial liability designated at fair value through profit or loss		**(148,058)**	–
Notes payable		**(633,965)**	(143,295)
Amounts due to associates	8	**(438)**	(438)
Provision for taxation		**(413,150)**	(569,063)
		(2,438,384)	(1,657,349)
Liabilities classified as held for sale	15	**–**	(828,677)
		(2,438,384)	(2,486,026)
Net current assets		**4,996,967**	6,446,677
Total assets less current liabilities		**28,662,032**	31,455,634

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000
Non-current liabilities			
Bank loans	*17*	**(69,517)**	(476,786)
Financial liability designated at fair value through profit or loss		**–**	(38,917)
Deferred tax liabilities		**(319,787)**	(768,460)
		(389,304)	(1,284,163)
NET ASSETS		**28,272,728**	30,171,471
CAPITAL AND RESERVES			
Share capital	*18*	**1,720,562**	1,723,563
Reserves		**24,744,775**	26,417,060
Total equity attributable to equity shareholders of the Company		**26,465,337**	28,140,623
Non-controlling interests		**1,807,391**	2,030,848
TOTAL EQUITY		**28,272,728**	30,171,471

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

		Attributable to equity shareholders of the Company											
	Note	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	Non-controlling interests HK$'000	Total equity HK$'000
As at 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 and 1 January 2011		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
Shares issued under share option scheme		583	2,212	–	–	–	–	–	–	–	2,795	–	2,795
Net investment by non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	154,648	154,648
Dividends paid	6	–	–	–	–	–	–	–	–	(775,866)	(775,866)	–	(775,866)
Transfer between reserves		–	1,116	(1,116)	–	–	255,896	(10,000)	–	(245,896)	–	–	–
Shares repurchased		(3,584)	–	–	–	3,584	–	–	–	(29,178)	(29,178)	–	(29,178)
Profit for the year		–	–	–	–	–	–	–	–	1,922,705	1,922,705	(66,256)	1,856,449
Other comprehensive income for the year		–	–	131	(3,363,083)	–	–	83,186	484,024	–	(2,795,742)	(311,849)	(3,107,591)
As at 31 December 2011		1,720,562	7,890,967	131	4,707,938	6,568	(668,499)	182,900	1,540,417	11,084,353	26,465,337	1,807,391	28,272,728

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

	2011 **HK$'000**	2010 HK$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(2,268,999)**	(1,236,165)
INVESTING ACTIVITIES		
Purchase of fixed assets	**(23,304)**	(166,110)
Proceeds from disposal of fixed assets	**–**	141
Proceeds from disposal of subsidiaries	**400,693**	–
Increase in deposits pledged	**(154,079)**	(391,328)
Purchase of available-for-sale securities	**(1,088,384)**	(1,402,533)
Purchase of financial assets designated at fair value through profit or loss	**(105,990)**	(341,571)
Investment in jointly controlled entities	**(462,217)**	(4,702)
Proceeds from disposal of available-for-sale securities	**1,058,345**	1,411,717
Proceeds from disposal of financial assets designated at fair value through profit or loss	**–**	36,846
Proceeds from issuance of financial liability designated at fair value through profit or loss	**–**	38,917
Proceeds from disposal of an associate	**18,450**	–
Bank interest received	**26,038**	11,428
Dividends from investments in securities	**79,196**	167,843
Dividends from associates	**626,217**	1,397,417
NET CASH INFLOW FROM INVESTING ACTIVITIES	**374,965**	758,065
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	**(1,894,034)**	(478,100)
FINANCING ACTIVITIES		
Issue of ordinary shares	**2,795**	2,291,548
Issue of shares in subsidiaries to non-controlling shareholders	**205,361**	405,370
Shares repurchased	**(29,178)**	–
Proceeds from bank loans	**1,322,830**	695,217
Proceeds from notes payable	**519,000**	–
Dividends paid to non-controlling shareholders	**(225,556)**	(7,883)
Dividends paid	**(775,866)**	(526,068)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**1,019,386**	2,858,184

	2011 HK$'000	2010 HK$'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(874,648)**	2,380,084
CASH AND CASH EQUIVALENTS		
Beginning of year	**4,494,348**	2,035,739
Exchange rate adjustments	**22,379**	78,525
End of year	**3,642,079**	4,494,348
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash – general accounts	**4,246,257**	4,578,384
Deposits pledged	**(604,178)**	(450,099)
Cash and cash equivalents classified as assets held for sale	**–**	366,063
End of year	**3,642,079**	4,494,348

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 2010 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 2011, but is derived from those financial statements.

2. CHANGES IN ACCOUNTING POLICIES

For the year ended 31 December 2011, the HKICPA has issued a number of amendents to HKFRSs and one new Interpretation 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:

– HKAS 24 (revised 2009), Related party disclosures

– Improvements to HKFRSs (2010)

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

3. OPERATING INCOME AND OTHER NET INCOME

Continuing operations

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

	2011	2010
	HK$'000	HK$'000
Operating income		
Consultancy and management fee income	**94,180**	52,565
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	**25,524**	10,814
– advances to customers	**254,281**	129,340
– unlisted debt securities	**15,705**	13,433
– others	**81**	165
Dividend income		
– listed investments	**269,266**	156,510
– unlisted investments	**14,300**	7,671
Gross rental income from investment properties	**4,626**	1,695
	677,963	372,193
Other net income		
Net realised (loss)/gain on trading securities		
– equity securities	**(174,768)**	59,777
– debt securities	**(4,538)**	1,794
– derivatives	**(7,959)**	(25,614)
	(187,265)	35,957
Net unrealised gain/(loss) on trading investments		
– equity securities	**(12,775)**	(21,215)
– debt securities	**(21,635)**	1,665
– derivatives	**(926)**	29,963
Net gain on disposal of available-for-sale securities	**691,416**	1,057,740
Net realised gain on financial assets designated at fair value through profit or loss	**–**	8,543
Unrealised gain on financial assets designated at fair value through profit or loss	**141,002**	245,877
Unrealised gain on financial liability designated at fair value through profit or loss	**77,663**	–
Loss on disposal of fixed assets	**(4)**	(120)
Unrealised gain/(loss) on notes payable	**28,330**	(29,180)
Net exchange gain	**12,726**	11,887
Net surplus on revaluation of investment properties	**3,976**	2,820
Others	**14,748**	4,494
	747,256	1,348,431

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% (2010: 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:

	2011 **HK$'000**	2010 HK$'000
Current taxation		
– Hong Kong profits tax	**(22,952)**	(25,582)
– Overseas taxation	**(206,850)**	(240,661)
– Over provision in respect of Hong Kong profits tax in prior years	**42,671**	180,435
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	**(2,333)**	(46,044)
Income tax charged	**(189,464)**	(131,852)
Income tax charged from continuing operations	**(184,964)**	(112,805)
Income tax charged from discontinued operations	**(4,500)**	(19,047)
Income tax charged	**(189,464)**	(131,852)

5. DISCONTINUED OPERATIONS

On 18 May 2011, the Group completed the disposal of 51% interest in Everbright Securities (International) Limited ("Everbright Securities (International)") to a subsidiary of Everbright Securities Company Limited ("Everbright Securities"), an associated company of the Group, at a consideration of HK$891 million ("Disposal Consideration"). The principal activities of Everbright Securities (International) are investment banking, securities and wealth management business. This divestment generated a gain of HK$512 million for the Group, representing the sum of the Disposal Consideration and the fair value of the remaining 49% equity interest of HK$685 million, net of the net asset value of Everbright Securities (International) of HK$1,064 million. Upon completion of the transaction, Everbright Securities (International) became a 49%–owned associate of the Group, and its Board of Directors is composed of two nominees from the Group and three from Everbright Securities.

Accordingly, the consolidated results of the operations of Everbright Securities (International) for the period ended 17 May 2011 are presented as discontinued operations in the financial statements.

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

	1 January to 17 May 2011 HK$'000	2010 HK$'000
Turnover	**91,353**	369,337
Operating income	**89,436**	359,910
Other net income	**2,799**	15,696
Staff costs	**(31,627)**	(106,531)
Depreciation and amortisation expenses	**(1,958)**	(93)
Other operating expenses	**(42,213)**	(137,479)
Profit from operations	**16,437**	131,503
Finance costs	**(1,066)**	(4,646)
Profit before taxation	**15,371**	126,857
Income tax	**(4,500)**	(19,047)
Profit from discontinued operations	**10,871**	107,810

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

	1 January to 17 May 2011 HK$'000	2010 HK$'000
Net cash inflow from operating activities	**128,853**	29,878
Net cash inflow/(outflow) from investing activities	**396,084**	(1,226)
Net cash inflow from financing activities	**–**	6
Net increase in cash and cash equivalents	**524,937**	28,658

(c) During the year, the Group disposed several subsidiaries. The gain on disposal is calculated as follows:

	17 May 2011 HK$'000
Proceeds from disposal of subsidiaries	**891,000**
Less: cash of subsidiaries	**(490,307)**
Net disposal proceeds	**400,693**
Less: Assets disposed, at carrying value	
Fixed assets	**(13,482)**
Trading rights	**(1,250)**
Debtors, deposits and prepayments	**(3,060,617)**
Deferred tax assets	**(200)**
Add: Liabilities disposed, at carrying value	
Bank loans	**1,281,921**
Creditors, deposits received and accrued charges	**726,739**
Amounts due from associates	**482,523**
Provision for taxation	**10,402**
Add: Investment in associates, at fair value	**684,847**
Gain on disposal of subsidiaries	**511,576**

6. DIVIDENDS

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

	2011 HK$'000	2010 HK$'000
– Interim dividend declared and paid of HK$0.15 (2010: HK$0.13) per share	**258,622**	207,276
– Final dividend proposed after the balance sheet date of HK$0.30 (2010: HK$0.30) per share	**516,169**	517,244
	774,791	724,520

The directors proposed a final dividend of HK$0.30 per share for the year ended 31 December 2011 (2010: HK$0.30 per share). The proposed dividends are not reflected as dividend payable in the financial statements.

(b) Dividends payable to equity shareholder of the Company attributable to the previous financial year, approved and paid during the year

	2011 HK$'000	2010 HK$'000
– Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.30 (2010: HK$0.20) per share	**517,244**	318,792

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$1,922,705,000 (2010: HK$1,927,207,000) and the weighted average number of 1,723,199,105 shares (2010: 1,621,599,935 shares) in issue during the year, calculated as follows:

	2011	2010
Issued shares at 1 January	**1,723,562,962**	1,592,264,212
Effect of shares issued under placement	**–**	27,920,548
Effect of share options exercised	**534,428**	1,415,175
Shares repurchased	**(898,285)**	–
Weighted average number of shares at 31 December	**1,723,199,105**	1,621,599,935

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$1,922,705,000 (2010: HK$1,927,207,000) and the weighted average number of 1,723,234,010 shares (2010: 1,622,775,933 shares), calculated as follows:

	2011	2010
Weighted average number of shares at 31 December	**1,723,199,105**	1,621,599,935
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**34,905**	1,175,998
Weighted average number of shares (diluted) at 31 December	**1,723,234,010**	1,622,775,933

8. INVESTMENTS IN ASSOCIATES AND AMOUNTS DUE TO ASSOCIATES

(a) Investments in associates

	2011 **HK$'000**	2010 HK$'000
Investments, at cost		
Shares listed in Mainland China	**1,782,996**	1,782,996
Unlisted shares in		
– Hong Kong	**561,951**	40,458
– Outside Hong Kong	**1,464**	18,485
Share of post-acquisition reserves	**8,045,903**	8,232,433
Intangible assets	**64,953**	–
	10,457,267	10,074,372
Less:		
Provision for impairment charged against investment costs	**(165,548)**	(165,996)
Goodwill on acquisition	**(591,037)**	(682,792)
Carrying value, net	**9,700,682**	9,225,584
Market value of listed shares in Mainland China	**14,293,031**	20,351,040

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 2011, particulars of principal associates of the Group are as follows:

Name of associate	Place of incorporation/ operation	Principal activities	Percentage of equity interest held by the Company
Everbright Securities Company Limited	The PRC	Securities operations	33.33%
Everbright Securities (International) Limited	British Virgin Islands	Securities operations	49%[1]

(1) Held indirectly. The remaining 51% held by another associate of the Group – Everbright Securities.

For the year ended 31 December 2011, Everbright Securities has recorded an after tax profit of RMB1.58 billion (2010: RMB2.22 billion) (according to HKFRSs) and the Group's share of profit, under the equity accounting method, amounted to HK$637 million (2010: HK$833 million). In addition to the remaining 49% stake of Everbright Securities (International), the Group is entitled to the profit from its 33.33% share of Everbright Securities, which has a 51% stake in Everbright Securities (International).

(c) Amounts due to associates

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

9. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

(a) Investments in jointly controlled entities

	2011 **HK$'000**	2010 HK$'000
Share of net assets	**488,529**	84,863
Goodwill on acquisition	**22,311**	–
	510,840	84,863

(b) **As at 31 December 2011, 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	Class A Ordinary Shares USD2,000,000	50.0%
			Class B Ordinary Shares 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	Provision of consultancy services	RMB8,000,000	51.0%*
光大新能低碳創業投資江蘇有限公司#	The PRC	Fund management	RMB300,000,000	50.0%*
China Aircraft Leasing Holdings Limited#	Cayman Islands	Investment holding	HK$234,000,000	48.0%*

* *Held indirectly*
\# *Acquired in 2011*

10. AVAILABLE-FOR-SALE SECURITIES

	2011 **HK$'000**	2010 HK$'000
At fair value:		
Listed equity securities:		
– Hong Kong	**376,654**	99,713
– Mainland China	**8,021,929**	10,884,864
Unlisted equity securities	**2,220,063**	2,276,821
Unlisted debt securities	**93,210**	–
At cost (i):		
Unlisted equity securities	**499,380**	272,274
	11,211,236	13,533,672

(i) At 31 December 2011, the investment was 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 will be subject to the payment of an incentive project bonus to an investment team (note 20(b)).

The Group held the following principal available-for-sale security as at 31 December 2011:

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 2011, the carrying value of interests in Everbright Bank exceeded 10% of total assets of the Group.

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

	2011 **HK$'000**	2010 HK$'000
At fair value:		
Hong Kong listed equity securities	**59,926**	161,945
Overseas unlisted equity securities	**688,700**	417,618
Overseas unlisted convertible preference shares	**20,530**	13,421
Overseas unlisted debt securities	**397,797**	314,672
	1,166,953	907,656

Realised gains on disposal of certain financial assets designated at fair value through profit or loss will be subject to the payment of an incentive project bonus to an investment team (note 20(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:

	2011 **HK$'000**	2010 HK$'000
Beginning of the year	**114,138**	324,439
Reduction	**–**	(210,301)
End of the year	**114,138**	114,138

12. ADVANCES TO CUSTOMERS

	2011 HK$'000	2010 HK$'000
Non-current assets		
Term loans to customers		
– secured	**388,640**	551,353
– unsecured	**5,320**	–
	393,960	551,353
Current assets		
Term loans to customers		
– secured	**1,891,720**	561,260
– unsecured	**98,400**	94,704
	1,990,120	655,964

Certain term loans to customers are secured by unlisted securities, third parties guarantee and/or leasehold land in Mainland China. An ageing analysis is as follows:

	2011 HK$'000	2010 HK$'000
Repayable on demand	**98,400**	–
Within 3 months	**686,320**	–
Over 3 months to 1 year	**1,205,400**	655,964
Over 1 year to 5 years	**393,960**	551,353
	2,384,080	1,207,317

13. AMOUNTS DUE FROM INVESTEE COMPANIES

Amounts due from investee companies are 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

	2011 HK$'000	2010 HK$'000
Accounts receivable, net	**193,242**	205,027
Deposits, prepayments and other receivables	**529,237**	310,778
	722,479	515,805

Accounts receivable are mainly amounts due from brokers, which are collectable in cash within one month.

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:

	2011	2010
	HK$'000	HK$'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

	2011	2010
	HK$'000	HK$'000
Accounts payable	**–**	48,819
Other creditors, deposits received and accrued charges	**178,813**	280,158
	178,813	328,977

As at 31 December 2011, accounts payable are all due within one month. Other creditors, deposits received and accrued charges included bonus payable to staff.

17. BANK LOANS

As at 31 December 2011, the bank loans were repayable as follows:

	2011	2010
	HK$'000	HK$'000
Within 1 year	**1,063,754**	615,576
After 1 year but within 2 years	**–**	414,330
After 2 years but within 5 years	**–**	–
After 5 years	**69,517**	62,456
	69,517	476,786
	1,133,271	1,092,362

As at 31 December 2011, the bank loans were secured as follows:

	2011 HK$'000	2010 HK$'000
Bank loans		
– secured	**573,817**	358,406
– unsecured	**559,454**	733,956
	1,133,271	1,092,362

As at 31 December 2011, bank loans of the Group of HK$573,817,000 (2010:HK$358,406,000) were secured by fixed deposits of certain subsidiaries and property situated in Mainland China. Bank loans of HK$559,454,000 (2010: HK$733,956,000) were unsecured at balance sheet date.

18. SHARE CAPITAL

	2011 HK$'000	2010 HK$'000
Authorised:		
Ordinary shares of HK$1.00 each	**2,000,000**	2,000,000
Issued and fully paid:		
At 1 January	**1,723,563**	1,592,264
Shares issued under placement	**–**	129,000
Shares issued under share option scheme	**583**	2,299
Shares repurchased	**(3,584)**	–
At 31 December	**1,720,562**	1,723,563

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.

19. SEGMENT INFORMATION

(a) Business segments

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:

Continuing operations

- Asset Management – management of absolute return and long-only 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.

Discontinued operations

- 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.

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

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

For the year ended 31 December 2011:

	Continuing operations							Discontinued operations			
	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	Sub-total HK$'000	Brokerage HK$'000	Investment Banking HK$'000	Sub-total HK$'000	Total HK$'000
REVENUE											
Operating income from external customers	237,145	47,541	132,319	227,378	644,383	33,580	677,963	82,229	7,207	89,436	767,399
Inter-segment revenue	-	-	-	-	-	-	-	47	1,450	1,497	1,497
Operating income from external customers and inter-segment revenue	237,145	47,541	132,319	227,378	644,383	33,580	677,963	82,276	8,657	90,933	768,896
Other net income from external customers	(24,980)	(1,443)	745,006	(9,515)	709,068	38,188	747,256	2,799	-	2,799	750,055
Total operating income and other net income	212,165	46,098	877,325	217,863	1,353,451	71,768	1,425,219	85,075	8,657	93,732	1,518,951
RESULTS AND RECONCILIATION OF SEGMENT RESULTS											
Segment results before non-controlling interests	98,539	2,077	698,675	216,228	1,015,519	76,760	1,092,279	19,538	(2,461)	17,077	1,109,356
Unallocated head office and corporate expenses							(197,543)			(1,706)	(199,249)
Gain on disposal of subsidiaries							-			511,576	511,576
Share of profits less losses of associates							643,143			-	643,143
Share of profits less losses of jointly controlled entities							(18,913)			-	(18,913)
Profit before taxation							1,518,966			526,947	2,045,913
Less: Non-controlling interests	18,487	(1,796)	49,314	-	66,005	251		-	-		
Segment results	117,026	281	747,989	216,228	1,081,524	77,011		19,538	(2,461)		
Interest income	172,446	333	96,140	13,456	282,375	13,216	295,591	33,242	-	33,242	328,833
Interest expenses	-	-	53,593	585	54,178	5,176	59,354	1,066	-	1,066	60,420
Depreciation and amortisation expenses (Note)	426	205	771	-	1,402	18,407	19,809	1,958	-	1,958	21,767
Impairment loss on available-for-sale securities	69,357	-	-	-	69,357	-	69,357	-	-	-	69,357

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

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 segments 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 income from external customers	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 profits less losses of associates							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 expenses (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.

Other Information

As at 31 December 2011

	Continuing operations							Discontinued operations				
	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**	**Sub-total HK$'000**	**Brokerage HK$'000**	**Investment Banking HK$'000**	**Sub-total HK$'000**	**Eliminations HK$'000**	**Total HK$'000**
Segment assets	**4,030,377**	**697,056**	**4,520,804**	**9,068,397**	**18,316,634**	**1,898,910**	**20,215,544**	**–**	**–**	**–**	**(5,681)**	**20,209,863**
Investment in associates												**9,700,682**
Investment in jointly controlled entities												**510,840**
Amounts due from investee companies												**111,823**
Unallocated head office and corporate assets												**567,208**
Total assets												**31,100,416**
Segment liabilities	**603,814**	**10,225**	**634,564**	**492,000**	**1,740,603**	**120,469**	**1,861,072**	**–**	**–**	**–**	**(5,681)**	**1,855,391**
Provision for taxation												**413,150**
Deferred tax liabilities												**319,787**
Unallocated head office and corporate liabilities												**239,360**
Total liabilities												**2,827,688**
Additions to non-current segment assets during the year	**–**	**339**	**279**	**–**	**618**	**4,921**	**5,539**	**–**	**–**	**–**	**–**	**5,539**

As at 31 December 2010

	Continuing operations							Discontinued operations				
	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	Sub-total HK$'000	Brokerage HK$'000	Investment Banking HK$'000	Sub-total HK$'000	Eliminations HK$'000	Total HK$'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
Amounts due from investee companies												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

(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 2011			For the year ended 31 December 2010		
	Hong Kong	**Mainland China**	**Total**	Hong Kong	Mainland China	Total
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Segment revenue						
Operating income						
– Continuing operations	**399,690**	**278,273**	**677,963**	175,172	197,021	372,193
– Discontinued operations	**89,436**	**–**	**89,436**	359,910	–	359,910
Other net income						
– Continuing operations	**13,007**	**734,249**	**747,256**	92,132	1,256,299	1,348,431
– Discontinued operations	**2,799**	**–**	**2,799**	15,696	–	15,696
	504,932	**1,012,522**	**1,517,454**	642,910	1,453,320	2,096,230

	For the year ended 31 December 2011			For the year ended 31 December 2010		
	Hong Kong	**Mainland China**	**Total**	Hong Kong	Mainland China	Total
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Specified non-current assets						
– Continuing operations	**552,806**	**10,228,287**	**10,781,093**	548,234	9,322,248	9,870,482
– Discontinued operations	**–**	**–**	**–**	14,490	–	14,490

20. CONTINGENT LIABILITIES

(a) Corporate guarantee

	2011 **HK$'000**	2010 HK$'000
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries and associates	**1,146,500**	1,203,956

The Group's subsidiaries have utilised HK$448,754,000 out of these banking facilities as at 31 December 2011 (31 December 2010: HK$733,956,000). Banking facilities of HK$470,000,000 provided by a financial institution to certain associates (31 December 2010: HK$470,000,000 provided by a financial institution to certain subsidiaries) are unutilised as at 31 December 2011 which are trading facilities for leveraged foreign exchange trading and carrying 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 2011, the accumulated unrealised gain associated with the relevant projects amounted to HK$728 million (31 December 2010: HK$2,170 million). If all relevant projects were disposed of on 31 December 2011 at their fair value, the amount of incentive project bonus payable to the investment team would be approximately HK$63 million (31 December 2010: HK$231 million).

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.30 per share for 2011 (2010: HK$0.30 per share). Together with the interim dividend of HK$0.15 per share, the aggregate dividend for the year is HK$0.45 per share (2010: HK$0.43 per share).

The final dividend, subject to shareholders' approval at the forthcoming Annual General Meeting, is expected to be paid on or about Thursday, 31 May 2012 to those shareholders whose names appeared on the register of members of the Company on Tuesday, 22 May 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 8 May 2012 to Friday, 11 May 2012, both days inclusive, during which no transfer of shares will be registered. Shareholders are reminded that, in order to qualify for attendance of the Annual General Meeting, all completed transfer forms accompanied by the relevant share certificates, must be lodged for registration at the Company's Share Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Monday, 7 May 2012.

The register of members of the Company will also be closed from Tuesday, 22 May 2012 to Thursday, 24 May 2012, both days inclusive, during which no transfer of shares will be registered. Shareholders are reminded that, in order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates, must be lodged for registration at the Company's Share Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Monday, 21 May 2012.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Oasis Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on Friday, 11 May 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year, the Company repurchased its shares on the Stock Exchange as follows:

Month	**Number of shares of HK$1.00 each repurchased**	**Price per share** **Lowest**	**Highest**	**Aggregate consideration**
		HK$	HK$	*HK$'000*
September 2011	1,322,000	8.15	8.99	11,463
October 2011	2,262,000	7.50	8.39	17,653
	3,584,000			29,116

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was charged against retained profits. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to the capital redemption reserve.

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 2011.

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 2011.

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, the annual results of the Group for the year ended 31 December 2011 and the auditing, internal control and financial reporting matters of the Group.

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

Hong Kong, 22 March 2012

CHAIRMAN'S STATEMENT

The global and domestic economies were highly complex and challenging in 2011. Nevertheless, the Company and its subsidiaries (the "Group" or "Everbright") faced these challenges and seized opportunities. Backed by our parent company, China Everbright Group, and its strong network across the Mainland, Everbright embarked upon building a large-scale, cross-border asset management platform in 2011, successfully enhancing its strengths and branding advantages in private equity funds and other areas by making full use of Hong Kong's position as an international financial center with easy connections to domestic and overseas capital markets.

First, under the "3+2 Macro Asset Management" strategy, our efforts throughout the year have rewarded us with sound progress in the establishment of various investment funds. In particular there was the Greater China Infrastructure Fund, which was co-developed with the Australia-based Macquarie Group. Despite the grim condition of the global market, the Group successfully completed the first tranche of fundraising in mid-2011 by increasing the capital pool of the Greater China Infrastructure Fund to USD 729 million, which is testament to the confidence placed in China's long-term economic growth by foreign capital as well as Everbright's Asset Management platform. As of the end of 2011, the number of private equity funds, venture funds, sector funds and hedge funds has increased to 12. The total fundraising amount exceeded HK$16.8 billion, with fair value of assets under management exceeding HK$17.7 billion. Overall, the value of investments remained stable.

Second, given the demand of China and Hong Kong companies for diversified investment and financing products, Everbright actively expanded its "structural investment and financing" business, generating stable and rewarding interest income during the year by fully capitalizing on the Group's robust capital strength and vast project resources.

Third, the Group and its associated company, Everbright Securities Company Limited ("Everbright Securities"), successfully completed integrating the Hong Kong investment banking, brokerage and wealth management businesses. This move allows our platform to combine with Everbright Securities's customer and network resources in the Mainland and gradually build a large-scale, cross-border, fee-based platform with sharper market competitiveness.

As of the end of 2011, the Group's profit attributable to equity shareholders amounted to HK$1.92 billion. Cash holdings were approximately HK$4.25 billion, with gearing ratio, calculated as interest-bearing liabilities divided by shareholders' equity, maintained at a healthy level of 5.8%. The sound financial conditions have greatly enhanced the Group's protection against risk and laid a solid foundation for stable expansion in the future.

The associates reported healthy results during the year. In 2011, Everbright Securities, in which the Group holds a 33.33% stake, navigated the volatility effectively to achieve stable operating results. In equity, fund unit brokerage transactions and traditional businesses (such as initial listing sponsorship and underwriting), Everbright Securities maintained steady gains in market share. New businesses such as asset management, margin financing and stock borrowing continued to achieve successful breakthroughs, and their impressive revenue contributions have confirmed Everbright Securities' ascent to industry leadership. The futures business also bucked the market trend to record growth, further optimizing Everbright Securities' revenue structure and enhancing its core competitiveness. China Everbright Bank Company Limited, in which the Group holds a 4.51% stake, reported an asset size in excess of RMB1,700 billion at the end of 2011, delivering robust profit growth and ever-improving asset quality. Each of our operational performance indicators conform with applicable requirements of regulatory authorities, and all arrangements for the listing of H-shares are in place. We will initiate steps for issuance of H-shares at an opportune time.

The global and domestic financial landscapes remain uncertain, and together with the weakened economies of the U.S., Europe and Japan, economic recovery still seems fragile. Elsewhere, emerging markets including China are facing pressure to sustain economic growth while controlling inflation. All of this is expected to have significant impact on the Chinese and Hong Kong capital markets in 2012.

Therefore, Everbright will maintain its strategy of "progressing with prudence" in 2012 while remaining committed to developing its "Macro Asset Management" business. We will also further optimize and expand our primary and secondary market funds as well as the structural investment and financing business, with the aim of achieving stable profit growth. In addition, the Group will leverage its capital strength to undertake mergers and acquisitions as and when opportunities arise while ensuring proper risk control. Guiding domestic and overseas capital to invest in China will remain fundamental to our businesses, and we will continue to gradually build channels to facilitate domestic capital's access to overseas markets.

Since our establishment in 1997, the Group has weathered various adversities and challenges in Hong Kong and China's financial markets. From the holding company of a Chinese bank and a Chinese securities firm, the Group has now developed into a diversified financial services company focusing on cross-border, large-scale asset management as the cornerstone of its business, as well as engaging, in part, in the Mainland securities market. I would like to take this opportunity to express my sincere gratitude to our shareholders, clients, the general public, members of the Board, the management and employees for their valuable support and dedication to the Group's development over the past 15 years. I believe that with your continued support, the Group will keep taking confident strides toward growth by accurately timing the economic cycles and creating greater value for its shareholders and clients.

Tang Shuangning
Chairman

Hong Kong, 22 March 2012

CHIEF EXECUTIVE OFFICER'S REPORT

2011 Full Year Results and Chief Executive Officer's Report

China's economy has enjoyed rapid expansion and seen a continuous inflow of foreign capital in search of opportunities. Meanwhile, years of technological innovation and management upgrades have resulted in a surge of vigorously competitive companies. This, combined with the increasing growth momentum of China's capital markets, has laid a solid foundation for the private equity sector. The Company and its subsidiaries ("the Group" or "Everbright") have made the most of the opportunities created by China's rapid economic growth by leveraging the extensive network of its parent company, China Everbright Group in China, as well as their solid operating experience in Hong Kong. Since the establishment of CEL Venture Capital (Shenzhen) Limited in 2001 and the Group's first USD-denominated private equity fund, SeaBright China Special Opportunities (I) Limited ("SOF I") in 2004 (which was set up with foreign capital raised), the Group achieved satisfactory investment results and management effectiveness. Capitalising on these strengths, the Group has gradually built up a cross-border, large-scale asset management platform focusing on private equity funds, venture capital funds and asset investments funds as its cornerstones. Focused on investment opportunities arising out of China, these 12 funds have been generating rewarding returns for Everbright and our investors.

Notwithstanding such problems as economic restructuring, tightening measures on the real estate market and local governments' mounting debt concerns, the Chinese government is now sitting on ample resources given the rapid economic development of the past 30 years. Also, its experience and ability to address economic downturns have improved substantially. Despite slowdowns and policy adjustments, China's economic outlook in the long run remains positive as its population of 1.3 billion continues to drive domestic demand. In addition, demand for diversified investment products have seen a significant increase due to continued accumulation of wealth by Chinese companies and individuals. With the gradual opening-up of national fiscal policy and the progressive internationalisation of the Renminbi, the liberalisation of China's domestic capital to international markets is imminent. Also, asset price slumps in Europe and the US following the financial crisis have offered overseas expansion opportunities via mergers and acquisitions for some Chinese companies.

As such, Everbright will strengthen its foothold in China and continue to expand its "3+2 Macro Asset Management" business. Guided by the National Twelfth Five-Year plan, we will diversify our fund types as appropriate. Everbright has demonstrated solid strength in connecting the capital investment needs of domestic and overseas clients, as well as identifying potential investment opportunities in China so that they can benefit from our growth perspectives. We will strive to solidify our international asset management platform via our Hong Kong listing status so as to explore more offshore investment opportunities for our domestic clients.

OPERATING RESULTS

Against the backdrop of a volatile market, our "3+2 Macro Asset Management" businesses continued to grow healthily in 2011. The "3" hereby refers to the fund investment and management business, which includes primary market funds covering private equity funds, venture capital funds and sector funds, and secondary market investments via hedge funds and asset management platforms. During the year, our primary market investment funds expanded the asset scale significantly and generated stable investment revenue. The hedge fund and asset management businesses that focus on the secondary market reported a loss as a result of the hugely volatile equity market that was adversely affected by the European debt crisis.

With regard to the fee-based operations, or "2", the Group completed the integration of its fee-based businesses comprising Hong Kong investment banking, brokerage and wealth management with its associated company, Everbright Securities Company Limited ("Everbright Securities"), by transferring a 51% stake of Everbright Securities (International), and this generated lucrative returns. Backed by strong internal resources, the "Structured investment and financing business" also generated rewarding interest income. During the year Everbright Securities saw its profits drop by a relatively large margin amidst the downtrend of the Mainland stock market, while operating conditions remained stable. China Everbright Bank Company Limited ("Everbright Bank") has committed to push forward its H-share listing in Hong Kong to fulfill its capital needs for business expansion whilst maintaining rapid growth.

As of 31 December 2011, the Group's profit attributable to equity shareholders amounted to HK$1.92 billion, remaining stable against last year. Earnings per share decreased 6.1% year on year to HK$1.116. Apart from profit contributions from the Hong Kong operations, the profit contribution from Everbright Securities decreased 24% to HK$637 million. Dividend income from Everbright Bank increased by 154% to HK$212 million. The divestment of 51% interest in Everbright Securities (International) generated a gain of HK$512 million. During the year, our share holdings in Everbright Bank and some listed companies under our private equity funds portfolio saw a decline in market prices. As a result, as of 31 December 2011, total equity attributable to equity shareholders amounted to HK$26.47 billion, representing a decrease of HK$1.68 billion over the last fiscal year. The interest-bearing gearing ratio maintained a very low level of 5.8%. The Board of Directors recommended a final dividend of HK$0.30 per share (2010: HK$0.30 per share). Together with the interim dividend of HK$0.15 per share, the annual dividend was HK$0.45 per share (2010: HK$0.43 per share).

During the year, since the Company's share price was significantly lower than the net asset value per share. Everbright decided to repurchase and cancel 3.58 million shares from 23 September to 10 October 2011.

HONG KONG OPERATIONS

In Hong Kong, the fund investment and management operations, which refer to the "3" under the Group's "3+2 Macro Asset Management" platform, has become the major profit contributor. The seed capital invested in these funds serves as a vote of confidence for our fund management teams and our asset management platform, while enabling us to share capital gains from the long-term investments in these funds. With our established fund management model, we are diligent in outlining our fundraising goals and planning ahead for the next tranche of fundraising exercises upon the funds' investment and realisation strategy, so as to solidly expand assets under management and enhance sources of stable income.

In 2011, global economic uncertainties and excessive competition across China's private equity sector led to market distortion, by which prices in primary markets exceeded those of listed investments in secondary markets. Over the first three quarters the Group adopted a responsible investment approach by slowing down the pace of investments, aiming to preserve capital strength, while closely monitoring market conditions and investing prudently in the fourth quarter, during which time we saw a significant drop in the pricing level. In addition, fundraising for the Greater China Infrastructure Fund, a joint venture with the Australia-based Macquarie Group, has also achieved remarkable progress during the year, further strengthening the business scale of our Asset Investment division.

As of the end of 2011, we had a total of 12 investment funds under management. The total funds raised by these funds reached approximately HK$16.8 billion, with a fair value of approximately HK$17.7 billion. These funds included overseas private equity funds, domestic venture capital funds, sector funds (covering real estate, infrastructure and low-carbon new energy), hedge funds and secondary market funds for small to medium-sized businesses. The number of projects invested in by the funds increased to 36, of which 6 have listed in different markets. The addition of fund products not only offered clients more options and flexibility in asset allocations, but also effectively enhanced the stability of our profits by allowing the Group to build a healthy investment pipeline and divestment cycle.

Fee-based operations, hereby denoting "2" under the "3+2 Macro Asset Management" platform, successfully integrated with Everbright Securities during the year, laying a solid foundation for accelerating the development of cross-border financial services and solutions. This is expected to create business synergy. Based on the development trends of cross-border financial activities, the Group also continued to explore growth opportunities. The new "structured Investment and Financing" division, which was set up to meet the structured financing needs identified in the process of developing the fund business, achieved substantial growth during the year.

As of 31 December 2011, the operating income of our Hong Kong operations amounted to HK$0.68 billion, representing a year-on-year increase of 82%. Profit before tax of Hong Kong operations increase 5% compared with the same period last year to HK$1.41 billion, inclusive of the gain of HK$512 million derived from the sale of a 51% stake in Everbright Securities (International). Total outgoings increase 12% to HK$408 million, with operating costs increased by HK$20 million to HK$348 million, which was attributable mainly to the increase in finance costs as well as in office operating expenses. Total cost-to-income ratio was 27%, which was 10% higher compared with 17% for the same period last year.

"3" FUND INVESTMENT AND MANAGEMENT OPERATIONS

Direct Investment

During the year, the Direct Investment Division reported HK$0.7 billion in pre-tax profit, representing a decrease of 48% compared with the last fiscal year. The Division placed strategic focus on China, with an aim to accurately time economic and market cycles as well as to identify unlisted companies with high growth potential. Our fundamental investment principle is to create a supportive environment in which our portfolio companies can realize their full potential of business operations and growth. This enhancement support aims to enhance their management efficiency, optimise their business structure and ultimately seek listing status on the capital market. As of the end of 2011, we had 8 new investments, while the unrealised projects in the portfolio increased to 30.

Private Equity Funds under the Direct Investment Division

There are four offshore private equity funds under the China Special Opportunities Fund series, which target primarily private companies with sound operating models and strong growth potential. During the year, our private equity funds made healthy investments and exits, reporting a solid growth record.

SOF I is currently in the divestment stage, and two of its five portfolio companies have gone public. Despite the sharp correction in equity markets triggered by the European debt crisis in 2011, the Fund made timely exits and hence generated satisfactory gains. The remaining three projects are actively preparing for IPOs in different capital markets. The China Special Opportunities Fund L.P. ("CSOF") and its "parallel investment fund" are also at the divestment stage. Amongst its eight portfolio companies, iSoftStone, a leading software company with a promising outlook, successfully listed on the New York Stock Exchange in December 2010, while the Zhejiang-based Beingmate was listed on the Shenzhen Stock Exchange in April 2011, delivering substantial investment returns. Given China's rising income levels and the stronger purchasing power of its younger generations over the past few years, CSOF is optimistic that demand will increase for consumer goods. For this reason, it has gained exposure to various projects related to consumer goods manufacturing and distribution networks in China that are expected to maintain robust growth momentum on the back of supportive government policies encouraging domestic consumption. The USD 400 million "China Special Opportunities Fund III" reviewed over 200 potential projects during the year under review. Due to intense competition in the private equity sector in China, the Fund only added an investment in the medical care-related industry during the first three quarters. Another three investments were made in the fourth quarter when valuation returned to a more reasonable level, of which China Outfitters and Beijing Jingneng Clean Energy were listed on the Main Board of the Hong Kong Stock Exchange at the end of 2011.

Venture Capital Funds under the Direct Investment Division

The three Mainland RMB-denominated venture capital funds primarily invested in private companies during their start-up and expansion phases. The venture capital fund established with Beijing Zhongguancun completed all its investments, some of which are actively preparing for IPOs. The two venture capital funds established at Wuxi City and Jiangyin City, each with capital of RMB500 million, added two investments. One has obtained approval from the Public Offering Review Committee of the China Securities Regulatory Commission (CSRC) and is currently in the pre-IPO stage, while the other has submitted its application for A-share listing. Following years of cultivation, the Group anticipates that the venture capital funds business will become another profitable revenue source. During the year, the Group's venture capital funds added 4 new investments, bringing the portfolio companies to a total of 14.

Asset Investment

The Asset Investment Division reported a profit of HK$2.08 million, a decrease of 45%. Our investment teams were committed to identifying opportunities in growth sectors with mid- to long-term growth potential, so as to maximise benefits. The division added 5 new investments during the year, bringing the total number of investments to 6.

Real Estate Fund under the Asset Investment Division

In 2011, the Chinese government continued to intensify its control over the property market across the territory by tightening bank credit and raising interest rates. These tightened liquidity conditions created favourable investment opportunities for the Everbright Ashmore China Real Estate Fund.

During the year, the Fund continued to invest in commercial and retail property projects in China. Amongst these, the Chongqing IMIX Shopping Mall Project was developed as an important leisure and shopping centre within the Chongqing Guanyin Bridge Walking Street district, with active rental activities and rapid growth in project value. The Fund undertook in-depth research on several projects during the year. It added four commercial property projects located in big cities such as Shenyang and Shanghai at the end of 2011. The first tranche of the US Dollar fund had completed most of its investments upon adding these four projects, while the second tranche fundraising will begin in 2012 with the preparation of an RMB real estate fund.

T&C (Beijing) Asset Management Consulting Limited under the Everbright Ashmore platform, is a professional nation-wide retail and commercial property services consultancy providing a wide range of property management services to numerous domestic and overseas developers and institutional investors. In 2011 these included project development and management as well as leasing agency and operations management services, which effectively facilitated the expansion of our real estate funds in China's commercial property sector and greatly enhanced corporate value.

As of the end of 2011, the Everbright Ashmore China Real Estate Fund managed assets worth approximately USD 347 million.

Infrastructure Fund under the Asset Investment Division

The Greater China Infrastructure Fund, a joint venture with the Australia-based Macquarie Group with a fundraising target of USD 1.5 billion, successfully completed the first tranche of overseas fundraising in mid-2011, raising USD 479 million while receiving an additional USD 250 million co-investment commitment from an investor. Given the solid progress of fundraising, the Fund's capital pool was close to USD 800 million as of the end of 2011. Following the success in fundraising, the Fund's management team has carried out in-depth research on potential investments in numerous toll roads, gas pipelines, railways and ports across China. Several of these have obtained approval from the investment committee to conduct comprehensive due diligence. The Group believes China's continuous economic growth will translate into immense potential for the infrastructure sector. The relatively tight liquidity conditions in the Mainland offer favourable opportunities for the Fund, with its professional evaluation system, to participate in large-scale projects with stable long-term revenue at a reasonable cost.

In order to facilitate its investments in China's infrastructure projects, Everbright and Macquarie Group entered into a Memorandum of Understanding with Pudong New District of Shanghai, targeting to establish a RMB-denominated fund and a RMB-fund management company. The management team has launched roadshows for the RMB fund, leveraging our own and China Everbright Group's strong network in the Mainland's financial system.

Low-Carbon New Energy Fund under the Asset Investment Division

Due to the increasingly intensive competition in China's wind and solar energy sectors, our low-carbon new energy fund adjusted our investment focus towards new materials, energy saving and environmental friendly projects. During the year, the investment team reviewed over 200 companies and selected quality projects for ongoing observations. In 2011, the Fund invested in a high-tech company engaging primarily in research, development, design and manufacturing of high-speed dynamic seals. This company has huge market potential as it possesses one of the strongest research and development capabilities in the Mainland to offer products which can significantly reduce energy consumption of high-end turbo-machinery such as steam turbines, industrial combustion turbine engines and aero-engines.

Aviation Leasing under the Asset Investment Division

In June 2011, Everbright acquired a 48% stake of China Aircraft Leasing Holdings Limited ("China Aircraft Leasing"), which possesses domestic and overseas leasing platforms. We are able to enjoy lower procurement costs and tax rates on aircraft purchase and asset acquisition through the overseas platform. At the same time, we can leverage the competitive advantage of China's tax-protected zone to greatly reduce transaction cost through the domestic platform.

As at the end of 2011, China Aircraft Leasing had 10 commercial aircrafts, which allowed the airlines to optimise its fleet structure and lower its financing costs through sale-and-leaseback as well as through innovative tax structuring. China Aircraft Leasing has built long-term relationships with a number of state-owned airlines in the Mainland and is generating stable and fast-growing operating revenue. The Group will further develop its financial leasing business and look to promote investment funds in the aviation industry by capitalising on its success and experience in operating in China and Hong Kong's financial sectors and also utilising China Aircraft Leasing's favourable platform.

Asset Management

The Asset Management Division focuses on investments in secondary markets, with an aim to offer clients more options for a flexible asset allocation, in addition to direct investments and asset investments in the primary market. The division has two funds and one strategic portfolio under management. The two funds lost HK$206 million and the strategic portfolio booked impairment loss of HK$69 million in 2011.

The "Dragon Fund" under the Asset Management Division

"Dragon Fund", the hedge fund focusing on Asia (excluding Japan), was established in 2005 with an objective to maximize returns by investing in stocks, bonds and currencies and also resorting to a variety of hedging operations. Following the global financial crisis in 2008, most external investors of the Fund had redeemed their relevant investments. Given its moderate performance, the Group has decided to discontinue the Dragon Fund in September and October so as to ensure more effective use of resources. During the year, the Dragon Fund showed a –31.5% return in the year, meanwhile the corresponding Hang Seng Index dropped by 29.5%.

The "Equity Advantage Fund" under the Asset Management Division

The principal investment philosophy of the "Equity Advantage Fund" is to identify small and medium-sized Chinese enterprises listed abroad with sustainable growth potential. In light of the market correction and the liquidity crunch of small-cap stocks in 2011, the Fund showed a –29.6% return in the year, meanwhile the MSCI China Small Cap lndex dropped by 39.6%.

Newly established business under the Asset Management Division

The asset management business that focuses on secondary market is an essential element in our "Macro Asset Management" strategy. As a way to expand the secondary market fund platform, Everbright introduced management teams with strong hedge funds experience in the year to strengthen the current hedge fund platform with enhanced competitiveness. Meanwhile, we continue to actively consider the possibility of acquiring other asset management companies with a view to increase its market share in the secondary market through acquisition, whilst lowering costs, maintaining the stability of the current investment teams as well as the size of assets under management.

"2" FEE-BASED BUSINESS

During the year, the integration of the Hong Kong-based investment banking, brokerage and wealth management businesses (renamed as "Everbright Securities (International)") with associate Everbright Securities was completed, with all legal procedures concluded in May 2011. After the integration, Everbright Securities became the controlling shareholder of Everbright Securities (International) with a 51% shareholding. Given its extensive customer base and sales network in the Mainland, the integration will further enhance income from securities brokerage, IPO sponsors and underwriting services. In addition to the share in profits entitled against its 49% shareholding, the Group also enjoyed an additional share of profit generated for its 33.33% shareholding in Everbright Securities. Furthermore, the Group received HK$891 million in cash from its divestment, allowing it to further strengthen its resource base to develop its macro asset management business.

In 2011, the Hong Kong stock market was hit hard by the tightening of liquidity in China and the ongoing Eurozone debt crisis, which caused the overall turnover to drop approximately 55% compared with the same period last year. The performance and revenue of the brokerage and wealth management businesses of Everbright Securities (International), which mainly target individual investors, was affected since it is closely correlated with the transaction volume in Hong Kong's securities market. On the other hand, the investment banking business, which primarily focuses on SMEs in China, sponsored the Main Board listing of Dragon Crown Group and China Vehicle Components Technology in Hong Kong in 2011 and was actively involved in sponsoring and underwriting of Everbright Bank's H-share IPO listing. The Group's share in profits of Everbright Securities (International) in 2011 was HK$6.1 million.

Structured Investment and Financing Business

Due to the increasingly frequent economic and financial activities between China and Hong Kong, this gives a significant boost to demand for alternate investment options other than equity investment. While our "3+2 Macro Asset Management" business continues to grow rapidly, this prompted us to consider establishing structured financial products with strong resources that offers both equity investment and short to medium-term financing to clients with good credit records and asset quality.

As such, we established the capital investment and financing unit. Leveraging our capital-rich position and the demand for short to medium-term financing under China's relatively tight monetary policies, we increased the "investment + financing" quota for projects which have high potential but are not directly suitable for investment by existing funds, through stringent due diligence conducted on both the industry and the project itself and also high requirements of collaterals. This business model allows Everbright to enjoy the benefits of these projects' long-term development potential and capital appreciation as post-IPO investment. Through various transaction structures, the Group is able to support the enterprises with appropriate financing, ultimately generating rewarding interest income whilst prudently managing risk. In 2011, this division had four successful full loan settlement. The remaining six projects continue their stable operation and on time repayment of relevant principal and interest. During the year, the business reported pre-tax profit before tax of HK$374 million.

Considering the favourable outlook for this business in China, the Group will build on its established marco asset management strategy, and is currently arranging for initiation of a RMB-denominated Mezzanine fund with structured investment and financing features. The fund can invest in both unlisted and listed enterprises while also participating in lending business, hence further expanding the Group's range of products and size of assets under management.

EVERBRIGHT SECURITIES

Impacted by the Eurozone debt crisis, the Chinese government's tightened monetary policies and investors' concerns over China's long-term economic restructuring, the Mainland stock market was sluggish in 2011. The CSI 300 Index declined approximately 25% from the beginning of the year, while both the transaction volume and commission rate of the brokerage business dropped. Despite the adverse market conditions, Everbright Securities, in which the Group holds a 33.33% stake, managed to secure stable operating results and maintain its market position. During the period under review, Everbright Securities strengthened its market share in its traditional operations, its transaction volume of equities, funds, warrants and bonds ranked top 10 in the industry, while its investment banking business, completed 15 lead sponsor projects in the year. According to WIND Information Research, Everbright Securities ranked seventh as the equities lead sponsor. Innovative businesses maintained sound competitiveness. The latest statistics from Securities Association indicated that Everbright Securities' asset management revenue (excluding fund management) ranked number one among the peers, while enjoying a 7.02% of share in the margin financing and stock borrowing business, at a leadership position. During the year the Company's revenue structure continued to improve, and it was again rated by the CSRC as a Category A – AA securities house. In addition, Everbright Securities (International), a subsidiary of Everbright Securities, has become one of the first companies to be approved as a Renminbi Qualified Foreign Institutional Investor (RQFII).

Everbright Securities reported operating income of RMB4.5 billion in 2011, representing a decrease of 11% over the same period last year. Brokerage, investment banking, asset management (including fund management), sales transactions and other revenue accounted for 40%, 14%, 16%, 3% and 27% respectively of its operating income. Profits attributable to equity shareholders decreased by 29.8% year-on-year to RMB1.6 billion.

As at the date, Everbright Securities had 117 sales offices nationwide.

EVERBRIGHT BANK

During the year, Everbright Bank, in which the Group holds a 4.51% stake, reported healthy development across all operations with continuous improvement in its asset quality. As of 31 December 2011, based on the unaudited accounts released by Everbright Bank on 19 January 2012, pre-tax profit amounted to RMB24.2 billion, a significant increase of 41% compared to the same period last year. Due to more stringent capital requirements prescribed for domestic commercial banks, Everbright Bank embarked on preparations for issuance of H-shares in Hong Kong, in order to strengthen its capital base and for funding its future development. The proposed issuance has obtained all necessary approvals from the relevant authorities and the listing will be completed when market conditions permit.

As of 31 December 2011, Everbright Bank had 689 branches nationwide.

FINANCIAL POSITION

As at 31 December 2011, the Group's total assets amounted to approximately HK$31.1 billion, with cash on hand of approximately HK$4.25 billion. Apart from current liabilities in the ordinary course of business and those related to derivative financial instruments, the Group's major liability are bank loans of approximately HK$1.13 billion. Bank loans are obtained to finance the Group's working capital investment projects in the China Mainland. The actual borrowing depends on the Group's business and investment needs. As at 31 December 2011, the Group's committed borrowing facilities amounted to approximately HK$2.45 billion. The Group's gearing ratio, calculated as interest bearing liabilities divided by shareholders' equity was 5.8% as at 31 December 2011 (31 December 2010: 3.9%). The Group had no material exposure to foreign exchange fluctuations other than assets and bank loans denominated in Renminbi and United States Dollar.

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, currency risk and equity price risk. The Group's risk management objective is to maximise shareholders' value and to reduce volatility in earnings while maintaining risk exposures within acceptable limits.

The Group's work in the area of risk management is led by the Chief Risk Officer and the Risk Management Group and execution is mainly carried out by the Risk Management Department. This functional structure can assess, identify and document the Group's risk profile and to ensure that the business units focus, control and systematically potential avoid risks in various areas of business. 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 investment activities. Receivables from brokers and counterparties are normally repayable on demand. The Group has established procedures in the selection of brokers/counterparties with sound credit ratings and/or reputation.

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

The Group has well defined policies in place on the setting and approval of trading, credit and investment position limits in order to manage its credit risk exposure and concentration. As at the balance sheet date, the Group does not have a significant concentration of credit risk other than the provision of advances to customers which are secured by residential leasehold land in the mainland, equity shares and third parties guarantee of RMB400 million (31 December 2010: RMB600 million), HK$565 million (31 December 2010: HK$nil) and HK$1,223 million (31 December 2010: HK$nil) respectively.

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 set out in note 20(a), 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$1,147 million (2010: HK$1,204 million).

(b) Liquidity risk

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

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

(c) Interest rate risk

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

The Group's interest rate positions arise from treasury and operating activities. Interest rate risk arises in treasury management, customer financing and investment portfolios. Interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets, liabilities and commitments. It also relates to positions from non-interest bearing liabilities including shareholders' funds and current accounts, as well as from certain fixed rate loans. Interest rate risk is managed by the Treasury Department under the delegated authority of the Board of Directors. The instruments used to manage interest rate risk include time deposits and interest rate linked derivatives, if necessary.

(d) Currency risk

The Group's exposure to currency risk primarily stems from holdings of monetary assets and liabilities denominated in currencies other than Hong Kong dollars and net investment in offshore 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.

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

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities, available-for-sale securities (note 10), financial assets designated as fair value through profit or loss (note 11) and financial liabilities designated as fair value through profit or loss. Other than unlisted securities held for medium-to-long term strategic purposes, all of these investments are listed.

The Group's listed investments, other than some available-for-sale securities which are listed on The Shanghai Stock Exchange, are mainly listed on The Stock Exchange of Hong Kong and The Shenzhen Stock Exchange. Decisions to buy or sell trading securities rest with assigned investment team professionals and each investment portfolio is governed by specific investment and risk management guideline. Independent daily monitoring of each portfolio against the corresponding guideline is carried out by the Risk Management Department. Listed investments held in the available-for-sale securities and financial assets designated as fair value through profit or loss portfolio have been chosen based on their medium-to-long term growth potential and are monitored regularly for performance against expectations.

The performance of the Group's unquoted investments is assessed, based on the limited information available to the Group, periodically against performance of listed entities of comparable size and nature of businesses.

EMPLOYEES

The Group places high value on human resources management. We emphasise 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 2011, the Group had 170 employees in Hong Kong and Mainland China. Total staff costs for the year under review amounted to approximately HK$222 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

In 2012, the US economy showed early signs of recovery, contributed by a series of supportive measures, including quantitative easing and the reemergence of manufacturing industries. Meanwhile, the Federal Reserve announced its intent to maintain a prolonged low interest rate policy meant relatively easy liquidity conditions. These factors imply that global inflationary pressures and rising asset prices is set to remain for an extended period. In response to debt issues weighing on some European countries, the common goals of policy-makers are to maintain stability in the Eurozone, by extending debt maturities, cutting government spending and raising taxes. Although the capital markets are bound to be affected by the ability to repay debt and possible credit re-rating of some European countries, there are no immediate systemic risks as the global market should have learned its lessons from the 2008 global financial crisis. That said, economic rebound in the region will inevitably remain weak. In China, economic restructuring continues to be challenging, while the inflationary pressures remain strong. Hence, the tightening monetary policies are expected to remain in place for an extended period. However, the structural adjustments will benefit China's long-term economic development, while at the same time create favorable investment opportunities for our funds. Given these challenges, Hong Kong's economy and financial markets are expected to face extremely challenging times in 2012. However, Hong Kong's political, legal and business environment are geared to international standards. With the increasing demand for offshore investments by Chinese enterprises and individuals, and the steady progress in RMB internationalization, the city will likely to make more positive progress to become Asia's financing and asset management centre, as well as the RMB offshore centre.

In line with the needs of the regional economy and corporate development, the Group will make appropriate adjustments in the "3+2" structure in 2012 while maintaining its macro asset management strategy. The direct investment, asset investment and asset management divisions under "3" will be realigned into primary market investment, secondary market investment and structured investment and financing; while "2" will remain unchanged and continue to capitalise on Everbright Securities' advantageous position in the cross-border fee-based business. Considering the increasing scale of the cross-border macro asset management business, Everbright will also restructure the back-office unit, in a bid to strengthen the support from human resources, risk management, IT and branding strategy. We believe that the fine-tuning of business model and management structure will provide a clearer development focus and allow more effective allocation and management of resources.

Looking ahead to 2012, Everbright's main goals are to continue to steadily grow AUM size, appropriately diversify in fund products, build a secondary market-focused investment platform, as well as maintaining stable income growth from investment and management fees. Based on our solid business platform, a number of projects are ready for divestment, the sizable proceeds from divestment will allow Everbright to make quality investments amidst depressed market conditions or create favorable conditions for mergers and acquisitions.

As the Group's most established and the largest operating platform, the primary market investments division (including the former direct investment and asset investment divisions) will continue to focus on unlisted enterprises and industries with long-term growth potential in China. Beyond the ten investment funds currently available, the Group looks to expand the size of assets under management, while continue to invest an appropriate amount of seed capital in each fund, with a view to achieving balanced growth in management fee income and investment returns. The Group will also monitor development prospects of various industries in the Mainland, such as consumer goods and its distribution network as well as financial leasing and medical industry, and will expand further in these sectors or establish relevant sector-specific funds when opportunities arise.

In the meantime, the four overseas private equity funds, the CSOF series, can leverage their competitive edge to facilitate listing of the invested projects at a steady divestment pace to achieve satisfactory returns. The ease in market prices also allows the "China Special Opportunities Fund III" to accelerate investments at a reasonable cost. Among projects invested by the three Mainland RMB-denominated venture capital funds, several have matured and are actively seeking listing approval. The funds have regional advantages to identify investments with unique potential. Among asset investment funds, the infrastructure fund will aim to complete raising a total of USD 1.5 billion the pre-set fund target for the overseas USD fund and the domestic RMB fund while continue to persist in project investments. The real estate fund will continue to raise funds for the RMB-denominated fund, and work with reputable developers to develop commercial property projects in regions and cities showing robust demand. The tight liquidity situation in China has enhanced the real estate fund's bargaining power and rate of return. The new energy fund will complete most of its investments within the year and put in place post-investment management, IPO nurturing and preparation work.

The secondary market investments division (including the former asset management division) will complement the primary market investments division that focuses on opportunities from unlisted enterprises. We will invest seed capital to establish new hedge fund platform and an IT system within the year, in order to further enhance the offerings of secondary market investment products and attract external investors. At the same time, Everbright will continue to look at merger and acquisitions or joint venture opportunities, targeting sizeable assets management firms with respectable overseas track records and established scales.

The Group was established in 1997 as the holding company of Everbright Bank and Everbright Securities. Approximately ten years ago, the Group gradually evolved into an investment bank that derived profit mainly from IPO sponsoring and brokerage business. In recent years, the Group has been aggressive in developing a cross-border macro asset management platform. Over all the years, the Group overcame numerous financial crisis in Hong Kong, and also witnessed bumps and jolts on China's path to financial reform. Particularly over the past five years, the global economic landscape has been extremely volatile, capital flows increasingly rapid, hence presenting more challenges to financial institutions. During this period, Everbright adopted capably to cope with market changes and successfully built a solid talent-base. Its ability to identify trends in macro policies and economic development, as well as to time the market cycles and invest at a reasonable cost, are also gaining market recognition.

Looking back at the past 15 years, I am proud of Everbright's remarkable accomplishments. Of the numerous Chinese and foreign financial institutions operating in Hong Kong, Everbright has emerged as a success story with a unique business model and encouraging investment results. Going forward, our effective risk management and solid balance sheet provide us with sufficient funding support to explore new growth opportunities whilst further enhance our risk control. This will allow the Group to sustain its long-term development potential and establish strong partnerships built on mutual trust with each of its stakeholders. Everbright puts emphasis on long-term value and benefits and, as such, will remain committed to creating value for its shareholders, investors, employees and the community in the long run.

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

Hong Kong, 22 March 2012

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