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 2014

The board of directors (the "Board") of China Everbright Limited (the "Company") is pleased to announce that the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014 together with relevant comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
Turnover	*3*	**6,622,673**	8,157,205
Operating income	*3*	**1,687,610**	1,161,872
Other net income	*3*	**1,312,332**	1,137,504
Staff costs		**(274,362)**	(281,188)
Depreciation expenses		**(21,973)**	(20,625)
Impairment loss on available-for-sale securities		**(191,374)**	(21,150)
Impairment loss on amount due from an investee company		**(12,125)**	(2,016)
Impairment loss on debtors, deposits and prepayments	*13*	**(154,000)**	(57,000)
Other operating expenses		**(547,424)**	(252,485)
Profit from operations		**1,798,684**	1,664,912
Finance costs		**(220,712)**	(108,460)
Share of profits less losses of associates, as per the associates' financial statements	*7(b)*	**1,068,934**	121,581
Share of profits less losses of joint ventures, as per the joint ventures' financial statements	*8(b)*	**152,222**	93,522
Gain on deemed disposal of interest in a joint venture	*7(b)*	**139,654**	–
Adjustments to share of profits less losses to conform with the Group's accounting policies	*1*	**33,385**	28,085
Profit before taxation		**2,972,167**	1,799,640
Income tax	*4*	**(88,896)**	(51,742)
Profit for the year		**2,883,271**	1,747,898

	Notes	**2014** **HK$'000**	2013 HK$'000
Profit attributable to equity shareholders of the Company		**2,559,688**	1,346,548
Non-controlling interests		**323,583**	401,350
Profit for the year		**2,883,271**	1,747,898
Basic and diluted earnings per share	*6*	**HK$1.514**	HK$0.783

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$'000	HK$'000
Profit for the year	**2,883,271**	1,747,898
Other comprehensive income for the year (after tax and reclassification adjustments):		
Items that will not be reclassified subsequently to income statement		
– Share of other comprehensive income of a joint venture, as per the joint venture's financial statements	**–**	(8,471)
Items that may be reclassified subsequently to income statement		
– Net movement in investment revaluation reserve of available-for-sale securities	**5,003,018**	(493,782)
– Share of other comprehensive income of associates, as per the associates' financial statements	**442,948**	356,558
– Share of other comprehensive income of joint ventures, as per the joint ventures' financial statements	**(1,410)**	–
– Adjustments to share of other comprehensive income of associates and joint ventures to conform with the Group's accounting policies	**(172,549)**	(36,277)
– Exchange reserve	**(292,932)**	72,755
	4,979,075	(109,217)
Total comprehensive income for the year	**7,862,346**	1,638,681
Attributable to:		
Equity shareholders of the Company	**7,220,633**	1,173,839
Non-controlling interests	**641,713**	464,842
Total comprehensive income for the year	**7,862,346**	1,638,681

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Notes	31 December 2014 HK$'000	31 December 2013 HK$'000
Non-current assets			
Fixed assets		**565,022**	574,979
Amounts due from investee companies	*10*	**523,070**	159,469
Investments in associates	*7(a)*	**12,459,124**	10,684,673
Investments in joint ventures	*8(a)*	**574,328**	721,404
Available-for-sale securities	*9*	**19,008,521**	13,042,551
Financial assets designated at fair value through profit or loss	*10*	**7,102,424**	3,328,790
Advances to customers	*11*	**782,334**	241,765
		41,014,823	28,753,631
Current assets			
Financial assets designated at fair value through profit or loss	*10*	**468,938**	–
Advances to customers	*11*	**4,109,403**	2,294,352
Amount due from an investee company		**–**	9,542
Amount due from an associate	*7(c)*	**19,321**	19,818
Amounts due from joint ventures	*8(c)*	**3,995**	4,435
Debtors, deposits and prepayments	*13*	**1,194,684**	1,558,192
Trading securities		**1,357,918**	649,822
Cash and cash equivalents		**4,465,289**	3,764,978
		11,619,548	8,301,139
Current liabilities			
Amount due to an investee company	*12*	**(78,969)**	(80,339)
Amount due to a joint venture	*8(d)*	**(494)**	(2,197)
Trading securities		**(327,637)**	(256,921)
Bank loans	*14*	**(4,996,065)**	(2,009,663)
Amount due to a fellow subsidiary and shareholder	*15*	**(500,000)**	(500,000)
Creditors, deposits received and accrued charges	*16*	**(1,025,892)**	(749,835)
Financial liabilities designated at fair value through profit or loss		**–**	(7,268)
Other financial liabilities		**(3,234,796)**	–
Notes payable		**(27,000)**	(47,000)
Provision for taxation		**(207,078)**	(302,561)
		(10,397,931)	(3,955,784)

	Notes	**31 December 2014 HK$'000**	31 December 2013 HK$'000
Net current assets		**1,221,617**	4,345,355
Total assets less current liabilities		**42,236,440**	33,098,986
Non-current liabilities			
Bank loans	*14*	**(3,589,936)**	(1,085,274)
Notes payable		**(30,000)**	–
Deferred tax liabilities		**(425,918)**	(284,799)
		(4,045,854)	(1,370,073)
NET ASSETS		**38,190,586**	31,728,913
CAPITAL AND RESERVES			
Share capital: nominal value	*17*	**–**	1,720,100
Other statutory capital reserves		**–**	7,897,997
Share capital and other statutory capital reserves	*17*	**9,618,097**	9,618,097
Other reserves		**25,356,033**	19,085,890
Total equity attributable to equity shareholders of the Company		**34,974,130**	28,703,987
Non-controlling interests		**3,216,456**	3,024,926
TOTAL EQUITY		**38,190,586**	31,728,913

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

		Attributable to equity shareholders of the Company											
	Notes	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 2013		1,720,562	7,890,967	688	5,769,065	6,568	(668,499)	182,900	1,689,274	11,520,477	28,112,002	1,844,277	29,956,279
Net investment by non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	715,807	715,807
Transfer of available-for-sale securities by the Company to Social Security Fund		–	–	–	(99,260)	–	–	–	–	(30,712)	(129,972)	–	(129,972)
Share repurchased		(462)	–	–	–	462	–	–	–	(4,587)	(4,587)	–	(4,587)
Dividends paid	5	–	–	–	–	–	–	–	–	(447,295)	(447,295)	–	(447,295)
Profit for the year		–	–	–	–	–	–	–	–	1,346,548	1,346,548	401,350	1,747,898
Other comprehensive income for the year		–	–	554	(510,996)	–	–	–	337,733	–	(172,709)	63,492	(109,217)
As at 31 December 2013 and 1 January 2014		1,720,100	7,890,967	1,242	5,158,809	7,030	(668,499)	182,900	2,027,007	12,384,431	28,703,987	3,024,926	31,728,913
Net investment by non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(450,183)	(450,183)
Transfer of available-for-sale securities by the Company to Social Security Fund		–	–	–	(5,895)	–	–	–	–	(2,115)	(8,010)	–	(8,010)
Share repurchased	*17(c)*	(34,846)	–	–	–	34,846	–	–	–	(352,641)	(352,641)	–	(352,641)
Transition to no-par value regime on 3 March 2014		7,932,843	(7,890,967)	–	–	(41,876)	–	–	–	–	–	–	–
Dividend paid	5	–	–	–	–	–	–	–	–	(589,839)	(589,839)	–	(589,839)
Profit for the year		–	–	–	–	–	–	–	–	2,559,688	2,559,688	323,583	2,883,271
Other comprehensive income for the year		–	–	–	4,952,575	–	–	–	(291,630)	–	4,660,945	318,130	4,979,075
As at 31 December 2014		9,618,097	–	1,242	10,105,489	–	(668,499)	182,900	1,735,377	13,999,524	34,974,130	3,216,456	38,190,586

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

	2014	2013
	HK$'000	HK$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(2,982,224)**	(62,307)
INVESTING ACTIVITIES		
Purchase of fixed assets	**(6,650)**	(16,458)
Proceeds from disposal of fixed assets	**–**	20
Proceeds from partial disposal of a joint venture	**31,263**	5,956
Decrease/(increase) in deposits pledged	**208,537**	(667,576)
Purchase of available-for-sale securities	**(2,657,426)**	(1,914,042)
Purchase of financial assets designated at fair value through profit or loss	**(3,937,566)**	(1,588,511)
Increase in other financial liabilities	**3,102,639**	–
Investment in an associate	**(58,773)**	(229,695)
Net disposal proceeds from losing control of subsidiaries	**407,494**	–
Net cash acquired in obtaining control of a subsidiary	**77,877**	–
Investment in joint ventures	**(182,952)**	(192,179)
Proceeds from disposal of available-for-sale securities	**1,627,578**	1,544,885
Proceeds from disposal of financial assets designated at fair value through profit or loss	**271,006**	127,220
Proceeds from disposal of an associate	**–**	39,127
Bank interest received	**51,458**	50,636
Dividends from investments in securities	**665,112**	573,705
Dividend from an associate	**28,402**	132,188
Dividend from a joint venture	**30,450**	9,228
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(341,551)**	(2,125,496)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	**(3,323,775)**	(2,187,803)

	2014	2013
	HK$'000	HK$'000
FINANCING ACTIVITIES		
Issue of shares in subsidiaries to non-controlling shareholders	**456,597**	875,045
Redemption of shares by non-controlling shareholders	**(9,914)**	(153,912)
Shares repurchased	**(352,641)**	(4,587)
Proceeds from bank loans	**8,839,297**	3,035,382
Proceeds from loan from a fellow subsidiary and shareholder	**–**	1,000,000
Repayment of loan from a fellow subsidiary and shareholder	**–**	(500,000)
Proceeds from notes payable	**10,000**	–
Repayment of bank loans	**(3,348,233)**	(991,638)
Repurchase of notes payable	**–**	(209,903)
Dividend paid to non-controlling shareholders	**(734,453)**	(5,318)
Dividends paid	**(589,839)**	(447,295)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**4,270,814**	2,597,774
NET INCREASE IN CASH AND CASH EQUIVALENTS	**947,039**	409,971
CASH AND CASH EQUIVALENTS		
Beginning of year	**2,833,707**	2,401,106
Exchange rate adjustments	**(38,191)**	22,630
End of year	**3,742,555**	2,833,707
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash – general accounts	**4,465,289**	3,764,978
Deposits pledged	**(722,734)**	(931,271)
End of year	**3,742,555**	2,833,707

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 2013 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 2014, but is derived from those financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The adjustments made to the financial information of associates and joint ventures to conform them to the Group's accounting policies are disclosed separately in the consolidated income statement and consolidated statement of comprehensive income.

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

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments 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:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

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

The impacts of these developments are discussed below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit whose recoverable amount is based on fair value less costs of disposal. The expanded disclosures are set out in note 7.

Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

3. TURNOVER, OPERATING INCOME AND OTHER NET INCOME

Turnover from operations represents the aggregate of service fee income, interest income, dividend income and gross rental income from investment properties and gross sale proceeds from disposal of trading securities of secondary market investments.

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

	2014 **HK$'000**	2013 HK$'000
Operating income		
Consultancy and management fee income	**409,860**	303,542
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	**51,458**	50,636
– advances to customers	**350,404**	207,946
– unlisted debt securities	**52,335**	24,265
Dividend income		
– listed investments	**399,185**	182,974
– unlisted investments	**316,606**	391,236
Net realised gain/(loss) on trading securities		
– equity securities	**59,449**	27,133
– debt securities	**2,603**	(261)
– derivatives	**5,394**	(2,690)
Net unrealised gain/(loss) on trading securities		
– equity securities	**55,683**	11,957
– debt securities	**(22,653)**	(38,150)
– derivatives	**1,930**	193
Gross rental income	**5,356**	3,091
	1,687,610	1,161,872
Other net income		
Net realised gain on disposal of available-for-sale securities	**519,698**	758,754
Net realised gain/(loss) on disposal of financial assets designated at fair value through profit or loss	**32,474**	(445)
Net realised gain on disposal of financial liabilities designated at fair value through profit or loss	**–**	5,131
Net unrealised gain on financial assets designated at fair value through profit or loss	**685,366**	368,464
Gain on losing control of subsidiaries	**818**	–
Gain on disposal of fixed assets	**–**	20
Reversal of impairment loss on amount due from an investee company	**–**	62,661
Realised gain on disposal of an associate	**–**	960
Realised gain on disposal of a joint venture	**–**	5,956
Realised loss on note payable	**–**	(101,363)
Net exchange gain	**285**	4,954
Net surplus on revaluation of investment properties	**5,500**	2,470
Others	**68,191**	29,942
	1,312,332	1,137,504

4. INCOME TAX

The provision for Hong Kong profits tax is calculated at 16.5% (2013: 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:

	2014	2013
	HK$'000	HK$'000
Current taxation		
– Hong Kong profits tax	**(19,078)**	(12,323)
– Overseas taxation	**(122,343)**	(86,946)
– Over provision in respect of Hong Kong profits tax in prior years	**102,905**	49,760
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	**(50,380)**	(2,233)
Income tax expense	**(88,896)**	(51,742)

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

	2014	2013
	HK$'000	HK$'000
Profit before taxation	**2,972,167**	1,799,640
Calculated at the rates applicable to profits in the tax jurisdictions concerned	**643,718**	338,806
Tax effect of income not subject to taxation	**(597,548)**	(345,977)
Tax effect of expenses not deductible for taxation purpose	**95,212**	73,513
Tax effect of utilisation of previously unrecognised losses	**(2,266)**	(9,104)
Tax effect of tax losses and other deductible temporary differences not recognised	**52,685**	44,264
Over provision in respect of prior years	**(102,905)**	(49,760)
Income tax expense	**88,896**	51,742

5. DIVIDENDS

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

	2014	2013
	HK$'000	HK$'000
– Interim dividend declared and paid of HK$0.15 (2013: HK$0.11) per share	**252,788**	189,211
– Final dividend proposed after the balance sheet date of HK$0.33 (2013: HK$0.20) per share	**556,134**	337,051
	808,922	526,262

The directors proposed a final dividend of HK$0.33 per share for the year ended 31 December 2014 (2013: HK$0.20 per share). The proposed dividends are not reflected as dividend payable in the financial statements.

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

	2014	2013
	HK$'000	HK$'000
– Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.20 (2013: HK$0.15) per share	**337,051**	258,084

6. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the year ended 31 December 2014 is based on the profit attributable to equity shareholders of the Company of HK$2,559,688,000 (2013: HK$1,346,548,000) and the weighted average number of 1,690,409,011 shares (2013: 1,720,409,827 shares) in issue during the year.

7. INVESTMENTS IN ASSOCIATES

(a) Investments in associates

	2014	2013
	HK$'000	HK$'000
Share of net assets	**13,388,600**	11,441,258
Goodwill on acquisition	**(591,037)**	(591,037)
	12,797,563	10,850,221
Less: impairment loss	**(338,439)**	(165,548)
	12,459,124	10,684,673
Market value of listed shares in Mainland China	**40,659,001**	12,594,885
Market value of listed share in Hong Kong	**2,355,426**	–

(b) As at 31 December 2014, particulars of principal associates of the Group are as follows:

Name of associate	**Place of incorporation/ operation**	**Principal activities**	**Percentage of equity interest held by the Company**
Everbright Securities Company Limited ("Everbright Securities")	The PRC	Securities operations *(note 1)*	33.33%
Everbright Securities (International) Limited	British Virgin Islands	Securities operations *(note 1)*	49%*
China Aircraft Leasing Group Holdings Limited ("CALGH")	Cayman Islands	Investment holding *(note 2)*	35.33%**
首譽光控資產管理有限公司 (formerly 首譽資產管理有限公司)	The PRC	Assets management *(note 3)*	35%**
重慶融科光控實業發展有限公司	The PRC	Investment holding *(note 4)*	24.99%**

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

** Held indirectly.

Note 1: Everbright Securities and Everbright Securities (International) Limited are the Group's strategic investments to capitalise the growth of securities markets in the Mainland China and Hong Kong.

Note 2: CALGH is an associate of the Group to capture opportunities arising from the rapid growth of aviation and commercial aviation financing, investment and leasing activities in the Mainland China.

CALGH was listed in the Hong Kong Stock Exchange on 11 July 2014 (the "Date") and accordingly, the Group's equity interests in CALGH were diluted to 35.33%. The gain on deemed disposal is amounted to HK$140 million. The investment was reclassified from investments in joint ventures to investments in associates subsequent to the Date. The Group is subject to a lock-up provision which restricted the Group from selling equity security of CALGH on or before 10 January 2015.

Note 3: 首譽光控資產管理有限公司 is one of the Group's assets management companies. In August 2014,首譽資產管理有限公司 changed its name as 首譽光控資產管理有限公司.

Note 4: 重慶融科光控實業發展有限公司 is one of the Group's investment holding companies.

For the year ended 31 December 2014, Everbright Securities has recorded an after tax profit of RMB2.14 billion (2013: RMB0.28 billion) and the Group's share of profit as per the associate's financial statements, under equity accounting method, amounted to HK$870 million (2013: HK$86 million). In addition to the remaining 49% stake of Everbright Securities (International) Limited, the Group is entitled to the result through its 33.33% share of Everbright Securities, which has a 51% stake in Everbright Securities (International) Limited.

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

During the year, the Group has made an impairment of HK$173 million on an associate, which was recorded as adjustments to share of profits less losses to conform with the Group's accounting policies in the consolidated income statement.

The recoverable amount of the investment in an associate engaging in brokerage business has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 16.5% (2013: 16.5%). The growth rate used to extrapolate the cash flows of the investment in an associate beyond the five-year period is 3% (2013: 3%).

Assumptions were used in the value-in-use calculation of the investment in an associate for 31 December 2014 and 31 December 2013. The following describes each key assumption on which management has based its cash flow projections to undertake the impairment testing.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Revenue growth rates – The revenue growth rates used are ranging from 11.3% to 23%.

Discount for lack of control – A discount of lack of control of 20% was applied to the share of value-in-use of the investment in associate.

(c) Amount due from an associate

Amount due from an associate is unsecured, interest free and has no fixed terms of repayment.

8. INVESTMENTS IN JOINT VENTURES

(a) Investments in joint ventures

	2014	2013
	HK$'000	HK$'000
Share of net assets	**574,328**	699,093
Goodwill on acquisition	**–**	22,311
	574,328	721,404

(b) As at 31 December 2014, details of the Group's investments in joint ventures 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 Guolian Capital Company Limited	The PRC	Venture capital and investment advisory *(note 1)*	RMB320,000,000	50.0%*
山東高速光控產業投資基金管理有限公司	The PRC	Fund management *(note 2)*	RMB200,000,000	48.0%*
上海嘉寶安石置業有限公司	The PRC	Real estate development and leasing *(note 3)*	RMB294,300,000	28.8%*

* Held indirectly

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

Note 2: 山東高速光控產業投資基金管理有限公司 is a joint venture of the Group to provide fund management service to an industrial sector investment fund in the Mainland China.

Note 3: 上海嘉寶安石置業有限公司 is a joint venture of the Group to invest in real estate development and leasing sectors in the Mainland China.

All of the above joint ventures are unlisted corporate entities whose quoted market price is not available as at 31 December 2014. They are accounted for using the equity method in the consolidated financial statements.

(c) Amounts due from joint ventures

Amounts due from joint ventures are unsecured, interest free and have no fixed terms of repayment.

(d) Amount due to a joint venture

Amount due to a joint venture is unsecured, interest free and has no fixed terms of repayment.

9. AVAILABLE-FOR-SALE SECURITIES

	2014	2013
	HK$'000	HK$'000
At fair value:		
Listed equity securities		
– in Hong Kong	**343,691**	409,169
– outside Hong Kong	**11,039,415**	6,211,906
Unlisted equity securities		
– in Hong Kong	**428,511**	403,911
– outside Hong Kong	**5,940,378**	5,375,160
Listed debt securities	**674,624**	–
Unlisted debt securities	**61,558**	94,087
At cost(i):		
Unlisted equity securities	**520,344**	548,318
	19,008,521	13,042,551

The Group's investment in unlisted equity securities with a fair value of HK$129,024,000 and listed equity securities with a fair value of HK$854,551,000 are subject to a lock-up provision which restricted the Group from selling the equity securities on or before 5 June 2015 and 25 September 2015 respectively.

(i) At 31 December 2014, the investments were measured at cost less impairment because the range of reasonable fair value measurement is significant and the probabilities of the various estimates within the range cannot be reasonably assessed.

The Group held the following principal available-for-sale securities as at 31 December 2014:

Company name	**Place of incorporation**	**Principal activities**	**Effective equity interest held by the Group**
China Everbright Bank Company Limited ("Everbright Bank")(i)	The PRC	Banking operations	3.51%

(i) At 31 December 2014, the carrying value of interests in Everbright Bank exceeded 10% of total assets of the Group.

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

	2014	2013
	HK$'000	HK$'000
Non-current assets		
At fair value:		
Hong Kong listed equity securities	**41,955**	52,079
Overseas listed equity securities	**2,000,993**	68,490
Overseas unlisted equity securities/collective investment schemes	**3,279,147**	2,569,355
Overseas unlisted convertible preference shares	**1,237,976**	176,189
Overseas unlisted debt securities	**542,353**	462,677
	7,102,424	3,328,790
Current assets		
At fair value:		
Overseas unlisted equity securities/collective investment schemes	**468,938**	–

As at 31 December 2014, the Group's investment in overseas listed equity securities with a fair value of HK$1,452,844,000 (2013: overseas unlisted equity securities with a fair value of HK$672,012,000) is subject to a lock-up provision which restricted the Group from selling the equity securities on or before 21 January 2015.

As at 31 December 2014, the Group's overseas listed and unlisted equity securities amounting to a fair value of HK$4,464,874,000 (2013: HK$2,243,493,000) were investments in associates and joint ventures. These investments were exempted from applying the equity method and were recognised as financial assets designated at fair value through profit or loss.

As at 31 December 2014, balances of HK$523,070,000 (2013: HK$159,469,000) were due from these investee companies which were associates recognised as financial assets designated at fair value through profit or loss. The amounts due from these investee companies are unsecured, interest free and have no fixed terms of repayment.

In 2014, 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:

	2014
	HK$'000
Addition for the year	**544,939**

11. ADVANCES TO CUSTOMERS

	2014	2013
	HK$'000	HK$'000
Non-current assets		
Term loans to customers		
– secured	**194,478**	–
– unsecured	**587,856**	241,765
	782,334	241,765
Current assets		
Term loans to customers		
– secured	**2,641,242**	2,035,205
– unsecured	**1,468,161**	259,147
	4,109,403	2,294,352

Certain term loans to customers are secured by unlisted securities, third parties guarantees or leasehold land and properties in Mainland China.

An aging analysis of advances to customers is as follows:

	2014	2013
	HK$'000	HK$'000
Within 3 months	**1,313,025**	975,396
Over 3 months to 1 year	**2,796,378**	1,318,956
Over 1 year to 5 years	**782,334**	241,765
	4,891,737	2,536,117

12. AMOUNT DUE TO AN INVESTEE COMPANY

Amount due to an investee company is unsecured, interest free and has no fixed terms of repayment.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	2014	2013
	HK$'000	HK$'000
Accounts receivable, net	**935,518**	1,157,139
Deposits, prepayments, interest and other receivables	**470,166**	458,053
	1,405,684	1,615,192
Less: Allowance of doubtful debt	**(211,000)**	(57,000)
	1,194,684	1,558,192

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

As at 31 December 2014, the Group's receivable of HK$426,432,000 (2013: HK$426,386,000) was individually determined to be impaired. Allowance for doubtful debt of HK$154,000,000 (2013: HK$57,000,000) was recognised during the year.

14. BANK LOANS

As at 31 December 2014, the bank loans were repayable as follows:

	2014	2013
	HK$'000	HK$'000
Within 1 year	**4,996,065**	2,009,663
After 1 year but within 5 years	**3,538,285**	1,025,720
After 5 years	**51,651**	59,554
	3,589,936	1,085,274
	8,586,001	3,094,937

As at 31 December 2014, the bank loans were secured as follows:

	2014	2013
	HK$'000	HK$'000
Bank loans		
– secured	**927,001**	2,125,862
– unsecured	**7,659,000**	969,075
	8,586,001	3,094,937

As at 31 December 2014, the bank loans of the Group of HK$927,001,000 (2013: HK$2,125,862,000) were secured by fixed deposits and property situated in the Mainland China.

15. AMOUNT DUE TO A FELLOW SUBSIDIARY AND SHAREHOLDER

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

16. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2014	2013
	HK$'000	HK$'000
Creditors, deposits received and accrued charges	**1,025,892**	749,835

As at 31 December 2014, creditors, deposits received and accrued charges included bonus payable to staff.

17. SHARE CAPITAL

(a) Authorised and issued share capital

	2014	2013
	HK$'000	HK$'000
Authorised: *(note 1)*		
Ordinary shares of HK$1.00 each *(note 2)*	**–**	2,000,000
Ordinary shares issued and fully paid:		
At 1 January	**1,720,100**	1,720,562
Shares repurchased under the predecessor Companies Ordinance	**(34,846)**	(462)
Transition to no-par value regime on 3 March 2014 *(note 3)*	**7,932,843**	–
At 31 December	**9,618,097**	1,720,100

Note 1: Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

Note 2: In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

Note 3: In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622) on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital.

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

(b) Share premium and capital redemption reserve

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provision set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital. The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

(c) Share repurchased

In February 2014, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	**Number of shares repurchased**	**Price paid per share**	**Aggregate consideration**
		HK$	HK$'000
February 2014	34,846,000	10.12	352,641

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32), an amount equivalent to the par value of the shares cancelled of HK$34,846,000 was transferred from share capital to the capital redemption reserve. The total consideration paid on the repurchase of the shares of HK$352,641,000 was charged to retained profits.

18. MATURITY PROFILE

As at 31 December 2014

	Indefinite HK$'000	Repayable on demand HK$'000	3 months or less HK$'000	1 year or less but over 3 months HK$'000	5 years or less but over 1 year HK$'000	After 5 years HK$'000	Total HK$'000
Assets							
– Advances to customers	–	–	1,313,025	2,796,378	782,334	–	4,891,737
– Trading securities	960,313	8,330	389,275	–	–	–	1,357,918
– Available-for-sale securities	18,842,421	–	–	–	149,715	16,385	19,008,521
– Financial assets designated at fair value through profit or loss	6,560,071	–	–	468,938	542,353	–	7,571,362
– Cash and cash equivalents	–	2,116,974	2,348,315	–	–	–	4,465,289
	26,362,805	2,125,304	4,050,615	3,265,316	1,474,402	16,385	37,294,827
Liabilities							
– Bank loans	–	–	(1,538,670)	(3,457,395)	(3,538,285)	(51,651)	(8,586,001)
– Amount due to a fellow subsidiary and shareholder	–	–	(500,000)	–	–	–	(500,000)
– Other financial liabilities	–	(3,234,796)	–	–	–	–	(3,234,796)
– Trading securities	(327,637)	–	–	–	–	–	(327,637)
– Notes payable	–	(27,000)	–	–	(30,000)	–	(57,000)
	(327,637)	(3,261,796)	(2,038,670)	(3,457,395)	(3,568,285)	(51,651)	(12,705,434)

As at 31 December 2013

	Indefinite HK$'000	Repayable on demand HK$'000	3 months or less HK$'000	1 year or less but over 3 months HK$'000	5 years or less but over 1 year HK$'000	After 5 years HK$'000	Total HK$'000
Assets							
– Advances to customers	–	–	975,396	1,318,956	–	241,765	2,536,117
– Trading securities	258,517	–	332,681	58,624	–	–	649,822
– Available-for-sale securities	12,948,464	–	–	–	94,087	–	13,042,551
– Financial assets designated at fair value through profit or loss	2,866,113	–	–	151,269	311,408	–	3,328,790
– Cash and cash equivalents	–	2,229,567	869,311	666,100	–	–	3,764,978
	16,073,094	2,229,567	2,177,388	2,194,949	405,495	241,765	23,322,258
Liabilities							
– Bank loans	–	–	(629,739)	(1,379,924)	(1,025,720)	(59,554)	(3,094,937)
– Amount due to a fellow subsidiary and shareholder	–	–	(500,000)	–	–	–	(500,000)
– Financial liabilities designated at fair value through profit or loss	–	–	–	(7,268)	–	–	(7,268)
– Trading securities	(129,154)	–	(127,767)	–	–	–	(256,921)
– Notes payable	–	–	–	(47,000)	–	–	(47,000)
	(129,154)	–	(1,257,506)	(1,434,192)	(1,025,720)	(59,554)	(3,906,126)

19. SEGMENT INFORMATION

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

- Primary Market Investment – including:
  - Private Equity Funds – investment in unlisted equity securities and/or equity derivatives with meaningful equity position for participating in the ongoing management of these companies, and with an ultimate objective of capital gain on investee's equity listing or, in some circumstances, prior to listing;
  - Venture Capital Funds – invests primarily in sectors, such as new energy and new materials, energy-saving and environmental friendly services, bio-pharmaceuticals and healthcare, digital information and high-end manufacturing, as well as traditional manufacturing which is supported by hi-tech and advanced skills, with an ultimate objective of providing one-stop services for the investee companies including investment, financing, management and listing, enabling better returns for investors; and
  - Sector Focus Funds – sector focus specific long term investment in projects and equities, also targeting the management of investment funds focusing on real estate, infrastructure, medical & healthcare and resources assets (including low carbon and new energy industries).
- Secondary Market Investment – provides a diversified range of financial services including asset management, investment management and investment advisory activities which employ a wide range of investment strategies including market neutral, absolute returns, bond fund and equity fund. Investment return on the Group's own capital seeded into those fund is included herewith.
- Structured Financing and Investment – mainly invests in private equity, pre-IPO financing and structured financing for listed companies and its major shareholders by using its proprietary capital. It uses foreign currencies and/or Renminbi flexibly to facilitate the onshore and offshore financial needs of its target companies or individuals. Investment professionals in the team follow simple and clear investment philosophies by adopting a conservative, diversified and flexible investment approach that attains above-market returns on capital with below-average levels of business risk.
- Strategic Investment and Treasury – the Group's treasury management operations, and medium and long term investments which are carried out under senior management's directions.
- All other segments – which do not meet the threshold to be reportable and include the Group's investment in properties and certain financial assets and liabilities created from corporate investments.

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

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

(a) Business segments

For the year ended 31 December 2014:

	Primary Market Investment HK$'000	Secondary Market Investment HK$'000	Structured Financing & Investment HK$'000	Strategic Investment & Treasury HK$'000	Reportable segment total HK$'000	All other segments HK$'000	Total HK$'000
REVENUE							
Operating income from external customers	550,730	185,422	431,484	378,674	1,546,310	141,300	1,687,610
Other net income from external customers	1,020,374	9,847	115,200	251,802	1,397,223	(84,891)	1,312,332
Total operating income and other net income	1,571,104	195,269	546,684	630,476	2,943,533	56,409	2,999,942
RESULTS AND RECONCILIATION OF SEGMENT RESULTS							
Segment results before non-controlling interests	1,038,741	60,508	175,921	607,595	1,882,765	(20,762)	1,862,003
Unallocated head office and corporate expenses							(284,031)
Share of profits less losses of associates, as per the associates' financial statements							1,068,934
Share of profits less losses of joint ventures, as per the joint ventures' financial statements							152,222
Gain on deemed disposal of interest in a joint venture							139,654
Adjustments to share of profits less losses to conform with the Group's accounting policies							33,385
Profit before taxation							2,972,167
Less: non-controlling interests	(318,740)	–	12,395	–	(306,345)	(17,238)	
Segments results	720,001	60,508	188,316	607,595	1,576,420	(38,000)	
Interest income	29,020	46,005	246,308	24,960	346,293	107,904	454,197
Finance costs	173	6,277	84,364	15,304	106,118	114,594	220,712
Depreciation expenses	1,260	1,578	684	–	3,522	18,451	21,973
Imapairment loss on available-for-sale securities	138,169	4,620	–	–	142,789	48,585	191,374

For the year ended 31 December 2013:

	Primary Market Investment HK$'000	Secondary Market Investment HK$'000	Structured Financing & Investment HK$'000	Strategic Investment & Treasury HK$'000	Reportable segment total HK$'000	All other segments HK$'000	Total HK$'000
REVENUE							
Operating income from external customers	546,851	56,242	328,250	161,922	1,093,265	68,607	1,161,872
Other net income from external customers	822,117	(3,267)	101,261	90,989	1,011,100	126,404	1,137,504
Total operating income and other net income	1,368,968	52,975	429,511	252,911	2,104,365	195,011	2,299,376
RESULTS AND RECONCILIATION OF SEGMENT RESULTS							
Segment results before non-controlling interests	1,164,957	(51,788)	259,055	229,522	1,601,746	149,671	1,751,417
Unallocated head office and corporate expenses							(194,965)
Share of profits less losses of associates, as per the associates' financial statements							121,581
Share of profits less losses of joint ventures, as per the joint ventures' financial statements							93,522
Adjustments to share of profits less losses to conform with the Group's accounting policies							28,085
Profit before taxation							1,799,640
Less: non-controlling interests	(382,412)	–	(22,023)	–	(404,435)	3,085	
Segments results	782,545	(51,788)	237,032	229,522	1,197,311	152,756	
Interest income	40,998	19,870	161,838	28,596	251,302	31,545	282,847
Finance costs	124	4,058	60,986	17,266	82,434	26,026	108,460
Depreciation expenses	706	1,542	581	–	2,829	17,796	20,625
Impairment loss on available-for-sale securities	8,124	13,026	–	–	21,150	–	21,150

Other Information

As at 31 December 2014

	Primary Market Investment HK$'000	Secondary Market Investment HK$'000	Structured Financing & Investment HK$'000	Strategic Investment & Treasury HK$'000	Reportable segment total HK$'000	All other segments HK$'000	Sub-total HK$'000	Eliminations HK$'000	Total HK$'000
Segment assets	11,203,533	2,909,739	5,726,296	11,949,804	31,789,372	7,048,748	38,838,120	–	38,838,120
Investments in associates									12,459,124
Investments in joint ventures									574,328
Amounts due from investee companies									523,070
Amount due from an associate									19,321
Amounts due from joint ventures									3,995
Unallocated head office and corporate assets									216,413
Total assets									52,634,371
Segment liabilities	319,443	342,127	5,097,996	501,402	6,260,968	3,795,078	10,056,046	–	10,056,046
Amount due to a joint venture									494
Amount due to an investee company									78,969
Provision for taxation									207,078
Deferred tax liabilities									425,918
Unallocated head office and corporate liabilities									3,675,280
Total liabilities									14,443,785
Additions to non-current segment assets during the year	2,049	–	75	–	2,124	4,524	6,648	–	6,648

As at 31 December 2013

	Primary Market Investment HK$'000	Secondary Market Investment HK$'000	Structured Financing & Investment HK$'000	Strategic Investment & Treasury HK$'000	Reportable segment total HK$'000	All other segments HK$'000	Sub-total HK$'000	Eliminations HK$'000	Total HK$'000
Segment assets	9,832,084	1,409,318	3,548,839	7,389,392	22,179,633	3,066,220	25,245,853	(1,811)	25,244,042
Investments in associates									10,684,673
Investments in joint ventures									721,404
Amounts due from investee companies									169,011
Amount due from an associate									19,818
Amounts due from joint ventures									4,435
Unallocated head office and corporate assets									211,387
Total assets									37,054,770
Segment liabilities	111,128	264,598	1,183,496	744,758	2,303,980	1,122,789	3,426,769	(1,811)	3,424,958
Amount due to a joint venture									2,197
Amount due to an investee company									80,339
Provision for taxation									302,561
Deferred tax liabilities									284,799
Unallocated head office and corporate liabilities									1,231,003
Total liabilities									5,325,857
Additions to non-current segment assets during the year	276	–	873	–	1,149	15,226	16,375	–	16,375

(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, interests in associates and joint ventures ("Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the Specified non-current assets is based on the physical location of the asset. For interests in associates and joint ventures, the geographical location is based on the location of operations.

	For the year ended 31 December 2014			For the year ended 31 December 2013		
	Hong Kong HK$'000	**Mainland China HK$'000**	**Total HK$'000**	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Segment revenue						
Operating income	**726,044**	**961,566**	**1,687,610**	520,679	641,193	1,161,872
Other net income	**887,533**	**424,799**	**1,312,332**	397,862	739,642	1,137,504
	1,613,577	**1,386,365**	**2,999,942**	918,541	1,380,835	2,299,376

	For the year ended 31 December 2014			For the year ended 31 December 2013		
	Hong Kong HK$'000	**Mainland China HK$'000**	**Total HK$'000**	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Specified non-current assets	**1,522,620**	**12,075,854**	**13,598,474**	1,062,943	10,918,113	11,981,056

20. CONTINGENT LIABILITIES

(a) Corporate guarantee and standby facility

	Note	**2014 HK$'000**	2013 HK$'000
Standby letter of credit issued to financial institutions in respect of banking facility granted to a subsidiary		**–**	1,440,875
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	*i*	**875,350**	699,710
Standby facility given to a joint venture		**–**	310,104
		875,350	2,450,689

Note:

i. The Group's subsidiaries have utilised HK$875,350,000 of these banking facilities as at 31 December 2014 (2013: HK$688,515,000).

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.33 per share for the year ended 31 December 2014 (2013: HK$0.20 per share). Together with the interim dividend of HK$0.15 per share (already paid), the aggregate dividend for the year is HK$0.48 per share (2013: HK$0.31 per share).

The final dividend, subject to shareholders' approval at the forthcoming annual general meeting, is expected to be paid on or about Wednesday, 24 June 2015 to those shareholders whose names appeared on the register of members of the Company on Monday, 8 June 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 21 May 2015 to Wednesday, 27 May 2015, both days inclusive, on which no transfer of shares will be registered. Shareholders are reminded that, in order to qualify for attendance of the Annual General Meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration at the Company's Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 20 May 2015.

The register of members of the Company will also be closed from Thursday, 4 June 2015 to Monday, 8 June 2015, both days inclusive, on which no transfer of shares will be registered. Shareholders are reminded that, in order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration at the Company's Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 3 June 2015.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 27 May 2015 at 10:00 a.m.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Month	Number of shares of HK$1.00 each bought back	Price per share Lowest	Price per share Highest	Aggregate consideration
		HK$	HK$	HK$'000
February 2014	34,846,000	10.12	10.12	352,641

The above shares were cancelled upon buy back and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium on buy back 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 Company believes that upholding good corporate governance measures is important to ensure effective internal control and to protect the long term interest of the shareholders, customers, staff and the Company. The Company strictly complies with the applicable laws and regulations and codes and guidelines of the regulatory authorities, and strives to follow the best international and local corporate governance practices and to develop and improve the corporate governance practices of the Company.

Other than deviates from the Code A.27, the Chairman should at least annually hold meeting with non-executive directors without the executive directors present, and the code E.1.2. The Chairman of the Board should attend the annual general meeting. The Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange for the year ended 31 December 2014. Due to other commitment, Mr. Tang Shuangning, the Chairman of the Board was unable to attend meeting with non-executive directors and the annual general meeting in May 2014. However, Mr. Zang Qiutao, the then Deputy Chairman of the Board had attended the AGM held in May 2014 and also attended a meeting with non-executive directors without the executive directors presented.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a "Code for Securities Transactions by Directors and Relevant Employees" (the "Code") which is no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry to all directors, the directors confirmed that they have complied with the required standard of dealings set out in both the Code and the Model Code for the year ended 31 December 2014.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee (the "Committee") comprised Dr. Chung Shui Ming, Timpson, Mr. Seto Gin Chung, John and Dr. Lin Zhijun. The Committee is chaired by Dr. Chung Shui Ming, Timpson. All members of the Committee are independent non-executive directors.

The Committee and the Management have reviewed the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements of the Group for the year ended 31 December 2014.

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

Hong Kong, 30 March 2015

MANAGEMENT DISCUSSION & ANALYSIS

2014 Full Year Results

In 2014 the shift in the growth momentum of the global economy became more apparent. The US economy outshined the rest of the world with better employment figures, the US Federal Reserve ended Quantitative Easing (QE) in late October and the US dollar saw resurgence. In Europe, conditions remained difficult. The European Central Bank intensified its QE policy. The risk of deflation loomed, and many countries were still struggling with double-digit unemployment rates. The sovereign debt problem in Greece remained un-resolved; together with geopolitics crisis in Ukraine and the plunge in crude oil prices, clouded Europe's outlook. The Japanese government has taken multiple measures to reform the economy, but these have not resulted in a strong recovery, meanwhile the government's debt burden increased further.

In 2014 the "new normal" best described China's economic development. Within the new paradigm, the nation's GDP growth will downshift from high to medium-high. China's full-year GDP growth rate for 2014 decreased to 7.4%. The country continued to adjust its economic structure; growth went from factor- and investment-driven to innovation-driven, and this resulted in a decline in investment relative to GDP. The rise of internet finance has intensified competition in the financial sector. Direct financing increased, but the difficulty experienced by small- and medium-sized enterprises remained obvious. Financial reforms revealed a growing trend towards marketisation and reduced shadow banking, and regulatory reforms helped improve investor protection.

Against this background, 2014 was a year full of change and opportunity. On one hand, the global financial system – regional economic uncertainties notwithstanding – was awash in ample liquidity, which together with continued wealth accumulation by mainland Chinese, resulted in an ever-increasing demand for asset management services. On the other hand, new investment opportunities continued to emerge. These included the launch of Shanghai-Hong Kong Stock Connect, which opened up channels for two-way investments between the two cities; the globalisation of the RMB, which offered opportunities for cross-border investment. Everbright catches the development opportunity of cross-border asset management, broaden its business horizon, a comprehensive asset management platform is beginning to solidify.

During the reporting period, all of Everbright's financial metrics were up significantly, accompanied by rapid and robust growth in the company's asset management business:

1. Macro Asset Management: At the end of 2014, Everbright's macro asset management business managed a total of 24 funds, with a steadily growing management portfolio. The total amount of funds raised was HK$50.3 billion, up HK$16.9 billion for a 50.6% increase compared to the same period last year. Of these, external capital accounted for approximately 81%, up a 4 percentage point year-on-year. Assets under management (AUM) in the Primary Market grew by 22.2% year-on-year to reach HK$38 billion, while AUM in the Secondary Market grew by 163% to reach HK$6.3 billion. The associated company Everbright Prestige Capital Asset Management Company ("Everbright Prestige") has helped to raise RMB20.4 billion for products not directly managed by Everbright.

2. Investment projects: Everbright's investment projects continued to show their value. In 2014 a number of projects were listed, including Anhui Yingliu Electromechanical Company, Limited (603308.SH), a Private Equity (PE) Funds investment project; China Aircraft Leasing Group Holdings Limited (CALGH 01848.HK), strategic investment using Everbright's own capital; and CECEP Wind Power Corporation Company Limited ("CECWPC", 601016.SH), a Venture Capital Funds investment project. These, together with the outstanding performance of the real estate sector funds, have made the Primary Market portfolio more robust.

3. Secondary Market Investment: Through the addition of the QFII Fund and RQFII Fund, as well as participation in various PIPE projects, the Secondary Market expanded its product variety significantly. AUM for the segment increased sharply following an investment in Everbright Prestige, the platform to access high-net-worth individuals (HNWI) for financing, in April 2014.

4. Structured Financing and Investment attracts high-quality external investors: Taking advantage of the relaxation of restrictions on insurance investment, the Group was able to attract major domestic insurers to put in capital for joint investments.

5. Involvement in overseas mergers and acquisitions (M&A): In line with the parent company China Everbright Group's strategic aim of internationalisation, and the trend of Chinese enterprises "going global", the first overseas M&A fund – CEL Catalyst China Israel Fund – was established for outbound M&As. Key M&A targets were high-tech industrial enterprises, which will be connected to Chinese enterprises to promote industrial upgrades.

6. Moving towards industry consolidation: Among Everbright's investees, many are leaders in their respective sectors. This will enable Everbright to move from a traditional private equity investor to an industry consolidator. This will also further reduce the concentration risk of investing in one single company in an industry, and at the same time increase the value of investees.

7. Reorganisation of management structure: To cope with rapid expansion, Everbright engaged an internationally renowned management consultancy firm during the reporting period to formulate and implement measures that will help enhance operations, management processes and governance.

8. Opening up channels to facilitate cross-border RMB flows under the capital account: Through the Shanghai Free Trade Zone, Everbright set up a new platform for cross-border capital flows. The RMB could move quickly in both directions under the capital account, greatly increasing the efficiency of capital employment and further highlighting the advantage of a cross-border asset management platform.

9. Unleashing synergies among Everbright's sister companies: Following the establishment of China Everbright Group Ltd., China Everbright Limited has strengthened its formation with the Group's banking, securities and insurance subsidiaries. During the reporting period, China Everbright Limited began co-working on capital raising HNWIs through Everbright Prestige with its sister companies such as China Everbright Bank. It also carried out cross-border asset management utilizing the strength of Everbright Pramerica Fund Management (Everbright Pramerica)'s QDII quota.

10. Leverage gradually rising: With Everbright's investment teams becoming more established, the gearing ratio is gradually lifted with rigorous risk control during the reporting year to achieve higher return on capital.

OPERATING RESULTS

In 2014 the Group's profit after tax and non-controlling interests was HK$2.56 billion, up 90.1% year-on-year. Earnings per share was HK$1.514, presented an increase of 93.4%. Operating income amounted to HK$1.69 billion, representing an increase of 45.2% compared to 2013. For the Hong Kong business focused on cross-border asset management, asset management fees grew by 20.6% over 2013, totaling HK$225 million. Consulting fees grew by 59.2% to HK$185 million. Interest income amounted to HK$454 million, a year-on-year increase of 60.6%. Other net income, mainly comprising investment income, grew 15.4% to HK$1.31 billion.

During the reporting period, the Group's total expenditure amounted to HK$1.06 billion, representing an increase of 60.6% compared to the previous year. Total cost over income ratio rose to 35.5%, up 6.7 percentage points; among which, one-off expenses on restructuring matters amounted to HK$160 million. In order to better support business growth and prepare for expansion, the Group modestly increased its leverage and raised its gearing ratio to 23.9% (11.5% in the previous year), still a very comfortable level. The Group's solid financial position will continue to support the expansion of its various businesses.

In 2014 the Group's share of profit as per the associates financial statement (Everbright Securities), under equity accounting method, amounted to HK$870 million (2013: HK$86 million). China Everbright Bank contributed a dividend income after tax of HK$320 million, representing a year-on-year increase of 165%. To allocate resources for developing its cross-border asset management businesses, the Group sold 112 million shares of China Everbright Bank A-shares to China Everbright Group on 24 February 2014 for a consideration of RMB278 million, realising an investment gain of HK$252 million.

CORE BUSINESS – CROSS-BORDER ASSET MANAGEMENT

As at 31 December 2014, the Group's cross-border macro asset management business managed a total of 24 funds. The total amount of capital raised was HK$50.3 billion, at a compound annual growth rate of 56% from 2009 to 2014. The outstanding committed capital balance plus the fair value of project investments amounted to HK$54.1 billion, representing an increase of 57% compared to fiscal year 2013.

PRIMARY MARKET INVESTMENT BUSINESS

The Group's Primary Market Investment Business, comprising Private Equity Funds, Venture Capital Funds, Sector Focus Funds and the new overseas M&A funds set up in 2014, remains Everbright's most established business segment. Investment projects cover various industries including precision instruments, infrastructure, new materials, medical and healthcare, and real estate. Everbright injects a certain amount of seed capital into different funds (especially newly established teams) to support their development and expand the existing product while ensuring sufficient risk control and a satisfactory return rate.

During the reporting period, AUM for the growing Primary Market Investment business was HK$38 billion, with 72 investment projects and a pre-tax profit of HK$720 million, representing a 8% decrease over fiscal year 2013. Project investment models became more diverse, with not only traditional private equity investments, but also investments through various avenues such as privatisation. At the same time, with the resumption of IPOs in mainland China, a number of mature projects had already been listed or had applications for their listings submitted. These listings are expected to generate substantial profits for the company.

Everbright's Primary Market investment highlights for 2014 are as follows:

1. More collaboration among internal funds. Following the co-investment into BGI in 2013, the Medical and Healthcare Fund and China Special Opportunities Fund are collaborating on a joint investment in Kunming Jida Pharmaceutical. An A-share prospectus for the project was submitted in November 2014.

2. More collaboration with external PE funds in mainland China. In September 2014 Everbright jointly invested in Jiangsu Yuyue Medical Equipment & Supply Co., Ltd ("Yuyue Medical", 002223.SZ) with Sequoia Capital and Highlight Capital.

3. Involvement in privatisation projects. The company helped iSoftStone (NYSE:ISS) complete its privatisation in August 2014 through an innovative arrangement of equity and debt financing.

4. Formation of a new M&A Fund to capitalise on opportunities accorded to Chinese enterprises venturing overseas. Apart from raising funds and building partnerships in mainland China, Everbright has also started to venture into overseas M&A projects. In August 2014, in response to China's strategy of actively promoting outbound investment, the Group launched the CEL Catalyst China Israel Fund and acquired a controlling stake in Lamina Technologies. The group is also building up the Global M&A Fund and using the Group's own capital to acquire a car services company, Burke E. Porter, in the United States. The acquired technology and products will be integrated with the needs of Chinese enterprises for technological advancement. Major conglomerates will be invited on suitable occasions to take part in joint investments to maximise profit.

Private Equity Funds

Everbright invests in high-growth industries in mainland China through private equity funds. During the reporting period, the three China Special Opportunities funds have a total of 24 projects, and fully divested from 5 projects.

China Special Opportunities Fund I and China Special Opportunities Fund II, set up in 2004 and 2007 respectively, are already in the maturity stage, with 7 projects listed on NASDAQ, Hong Kong's main board and China's A-share market. China Special Opportunities Fund III, launched in 2010, has essentially completed the investment process and added 3 projects to its portfolio in 2014.

In 2014 Anhui Yingliu Electromechanical, a project under the Special Opportunities Fund series, was listed on the Shanghai Stock Exchange (603308.SH). The high-end machined parts manufacturing leader was among the first batch of companies to be listed after the resumption of IPOs in mainland China. Anhui Yingliu's issue price was RMB8.28 per share. As at the end of 2014, the share price had risen to RMB17.9, a significant increase of 116% compared to the listing price. China UMS, a China-wide payment services company whose business covers a bank card service, internet payment and prepaid card acceptance, continued to enjoy stable growth. Liaoning Wufeng, a state-level leading enterprise in agricultural industrialisation, and Yuan Cheng Logistics, one of China's first Class 5A integrated logistics services companies, are preparing for listing. In addition, joint investment projects with the Medical and Healthcare Fund, such as BGI and Kunming Jida Pharmaceutical, are benefiting from the strong growth in medical services and medical equipment in mainland China, as evidenced by steadily higher operating figures.

Given the continued consolidation of the Mainland's private equity fund sector and the possibility of the A-share IPO market transitioning from an audit system to a registration system, the Group believes that exit channels for the projects in the Special Opportunities Fund series will be smoother in 2015. At the same time, the Special Opportunities Fund series, following several years of growth, is holding onto a large number of shares for listing companies and convertible bonds that are already beyond the lock-up periods. The teams will capture the right moments to liquidate these available-for-sale securities to realise more capital gain for Everbright.

Venture Capital Funds

Everbright's Venture Capital Funds – professional investment funds raised and managed by Everbright – comprise Beijing Zhongguancun Investment Fund, Everbright Jiangyin Asset Investment Fund and Everbright Guolian Fund. These three focus on high-tech and high-growth small- and medium-sized enterprises in mainland China, which are at the start-up or growth stages and have yet to be listed. The main exit strategies are either listing on the Mainland's SME and ChiNext, or M&As. At the moment, the three Venture Capital Funds are at the post-investment value creation management and project exit stages. With a number of projects being publicly listed in 2014, this sector is generating more investment income for the Group. In addition, the Venture Capital Funds took hold of market opportunities to sell parts of unlisted projects to industry consolidators at a premium, realising substantial cash earnings.

During the reporting period, under this sector CECEP Wind Power Corporation listed on the Shanghai Stock Exchange (601016.SH) in September 2014. Riding on the vast popularity of energy efficiency stocks, the stock's price rose steadily following its listing and reached limit up for 11 consecutive trading days. As at 31 December 2014, the share price had increased 372% over its issue price, reaching RMB10.25. The team took the opportunity to exit the Shenzhen Jiawei Solar Lighting (300317.SZ) investment project, which was listed in 2012 and achieved a 210% return on investment. Beijing Leili was listed on the New OTC BB market for public trading on 17 November 2014 becoming the third enterprises to list on the New Third Board after Beijing LvSan Chemistry and Jiangsu Yida Chemical were listed in the first half of the year. With the China Securities Regulatory Commission initiating the registration system, these projects on the New OTC BB market can benefit from an increasingly mature market framework.

Sector Focus Funds

Everbright's Sector Focus Funds concentrate on the pillar industries in mainland China that can offer stable returns, as well as emerging industries with huge growth potential. The funds cover the four specific sectors: real estate, infrastructure, medical and healthcare, and new energy. With professional teams and their thorough understanding of these markets, Sector Focus Funds uncover investment opportunities in every sector and achieve gains arising from the long-term growth and structural demands of various industries.

Real Estate Fund

Everbright Ashmore Real Estate Fund (Everbright Ashmore), the largest Sector Focus fund under the Group, has become the leader in real estate private equity in China. With the correction of the Mainland real estate market in 2014, approximately 40 real estate experts in the fund team all over China captured a great number of investment opportunities by segmentising a diversified market.

Everbright Ashmore is divided into two currency investment streams: USD-denominated and RMB-denominated funds. Its investment portfolio includes a diverse mix of residential, office and commercial properties. Through the equity-based USD fund and bond-based RMB fund, the Group can derive both investment gains and interest income from the Mainland property market. At the same time, the investment and asset management team, consisting of experienced experts in real estate, investment, engineering and asset management, has the capability to be fully involved in projects, thereby minimising the non-systematic risks of this business segment.

During the reporting period, the USD-denominated fund – which invests in Chinese real estate projects with high growth potential using an equity investment approach – completed its investments. It successfully exited from two Shenyang Rongsheng projects in early 2015, realising an investment return of approximately 18%. Currently the USD-denominated fund has two projects in Shanghai and Xuzhou, achieving highly satisfactory sales and returns.

The RMB-dominated fund focuses on investing in short-term bonds and fixed income products through various investment structures customised for individual projects. With rigorous risk controls, the fund contributes a consistent stream of management fees, consulting fees and interest income. The fund added 6 new projects during the reporting period and exited 4 projects. Currently it manages 17 projects, with AUM of HK$24.1 billion, of which 88% was raised from external investors.

In addition, the Group completed two significant investments in 2014. On September 2014, the Group completed an investment in the Singapore-listed, Chongqing-based commercial property developer Ying Li International Real Estate Limited (Ying Li), becoming its second-largest strategic shareholder. The investment in Ying Li has high strategic significance for Everbright Ashmore, China Everbright Limited and China Everbright Group, for three reasons. (1) Everbright Ashmore's capabilities in providing value-added real estate management, capital strength and business network management are organically merged with Ying Li's experience and capabilities in construction. Ying Li will become a strong property developer and manager that will not only add value to current high-end real estate and urban redevelopment projects in Chongqing, but also further expand its operations into China's first- and second-tier cities as well as other markets. (2) Ying Li's current high-quality real estate projects will lay an excellent foundation for China Everbright Limited's future plans to issue real estate investment trusts (REITs), thus increasing the diversity of Everbright's asset management products. (3) By incorporating a developer with strong real estate construction capabilities, the Group can initiate the development and construction of new projects according to China Everbright Group's development needs in the future.

In the second half of 2014, Everbright Ashmore launched a special real estate investment fund of RMB7.5 billion for the development of an 800,000-square-metre international financial and technological hub in Beijing's Tongzhou Canal core region. The project is part of the Beijing Municipal Government's major effort to develop a city sub-centre that focuses on finance, technology and culture. Incorporating Ying Li's project organisation and construction capabilities, China Everbright Limited will ride its core properties to create a multi-function cluster that combines commerce and finance, technology and offices, and high-end residences. This will help Everbright ramp up good quality core properties in preparation for the overseas REIT market.

Medical and Healthcare Fund

In 2014, A flurry of newly launched policies included the gradually loosening of price restrictions on medicines, the approval of online sales of medicines and the marketisation of the medical sector. Policies related to the medical equipment industry covered many aspects, including research and development (R&D), approvals, production, sales and distribution, and usage.

The Group's Everbright Medical and Healthcare Fund focuses on unlisted Chinese medical and healthcare companies that are in the development stage, with key investment areas of biopharmaceuticals, medical equipment and facilities, medical services and medical IT. At the end of 2014, Everbright Medical and Healthcare Fund I, with fund raising sale of RMB600 million, has essentially completed its first-phase of investment. The Fund's team is now in the project management and exit stage. During the reporting period, the team added 1 investment projects. Kunming Jida Pharmaceuticals, in which the team started investing in the first half of the year, filed an A-share IPO prospectus in November 2014. The company specialises in the R&D, production, sales and distribution of medicines for digestive, liver, cardiovascular, cerebrovascular, bone and muscular sicknesses.

Meanwhile, among those projects under Post-investment management, an A-share prospectus for invested company Betta Pharmaceuticals (focusing on critical illnesses such as malignant tumours, diabetes, and cardiovascular and cerebrovascular sicknesses) has been filed. The BGI project benefited from restructuring as its parent company BGI Group aimed to raise core competitiveness and operational capabilities. The AMCARE Women's and Children's Hospital expanded its treatment centre and hospital area, enjoying strong sales growth as a result.

Given the excellent investment results of Everbright Medical and Healthcare Fund I, the medical and healthcare team has built up a strong brand reputation and a large number of high-quality projects. The Everbright Medical and Healthcare Fund II team is already in place and has essentially completed its fundraising of RMB1 billion. It is expected that the growth of China's medical equipment, pharmaceutical and medical services sector will remain strong in 2015 and bring about more investment opportunities for Everbright.

Infrastructure Fund

In 2014 the Group reorganised the management structure of the Infrastructure Fund, moving away from managing the Macquarie Greater China Infrastructure Fund yet continuing its investments in 8 existing projects.

During the year, Everbright partnered with Shandong Hi-Speed Group and jointly set up the Shandong Hi-Speed Everbright Industrial Fund, with a target size of RMB5 billion. Through this fund, Everbright focuses on the establishments developments brought about by the new type of urbanisation happening in mainland China, concentrating on meeting growing demand in areas such as municipal services, environmental protection and clean energy as well as investment opportunities for industry upgrade. The fund will seek strategic directions that conform to China's future urbanisation policies, and look for fast-growing, competitive companies in the infrastructure sector with a potential for development and profit. It also aims to promote the combination of industrial capital and financial capital as much as possible.

During the reporting period, the Shandong Hi-Speed Everbright Industrial Fund completed its first round of fundraising and generated RMB1.8 billion, of which 89% came from external funding. The second round of fundraising is in progress and targeting on a number of large insurers and financial institutions. The fund is in its investment stage and completed 2 projects during the reporting period. In addition, Everbright, leveraging its asset management expertise, was involved in the financing of Shandong High-Speed Group's major projects to help it revitalise its inventory assets through asset securitisation.

New Energy Funds

The Group manages two New Energy RMB funds, Everbright Jiangsu New Energy (Low Carbon) Fund (set up in 2011) and Everbright Qingdao New Energy (Low Carbon) Fund (set up in 2013). The funds focus on areas such as energy conservation and environmental protection, new materials, clean energy, high-end clean manufacturing and green consumption. As at the end of 2014 the team had invested in 4 projects. In January 2015 Jiangsu Turbine Seal High-Technology Co., Limited, with investment by the New Energy Fund, was listed on the China new OTC BB market for public trading.

During the year the team also strengthened its post-investment project management. To better identify potential ventures with diversified products, profit structures with high standards of financial and internal controls, and good market prospects.

Mergers and Acquisitions Funds

In 2014 China Everbright Limited set up its first overseas M&A fund, the CEL Catalyst china Israel Fund, in response to China Everbright Group's strategic goal of internationalisation and the trend of Chinese enterprises "going global". During the period the fund completed its first closing and finished its first investment project – Swiss company Lamina Technologies. In the early days of its formation, the M&A fund team focused on investing proprietary capital before gradually moving to external funds and switching to a fund management mode. It looks around the world to acquire quality corporates assets and technologies.

Israel is receiving a lot of attention from Chinese companies for its wide range of innovative industries and excellent investment environment. CEL Catalyst China Israel Fund is targeting on enterprises with proven business models and unique, innovative technologies. These enterprises should also have growth strategies or business activities that are aimed at developing the Greater China market, as well as the ability to synergise with demands in the China market so as to promote industry upgrade in China. The establishment of this fund was an important step for Everbright to become an internationalised cross-border asset management company, and it has provided a wealth of experience for the company in the development of its asset management business overseas.

SECONDARY MARKET INVESTMENT BUSINESS

Everbright's Secondary Market Investment Business consists of two main segments, Traditional Asset Management and Global Absolute Return Funds. With the increase in the number of HNWIs in China, the deployment of assets overseas has become a trend. The Group's Secondary Market Investment Business aims to capitalise on this trend by leveraging its excellent capabilities in product deployment to focus on investing Mainland capital in the Hong Kong and overseas markets, in order to satisfy the expanding overseas investment needs of clients.

In 2014 the AUM of Everbright's Secondary Market amounted to HK$6.3 billion, up 163% from the previous year. It registered a profit of HK$61 million, representing a substantial increase of HK$112 million from 2013. Everbright Prestige also laid a good foundation for the rapid growth of AUM in the Secondary Market. Currently, HKD3.1 billion of assets raised by Prestige are managed by asset management team as sub-advisor.

The Absolute Return Investment team, set up in 2012, has built a strong institutionalised platform within the Group to provide solid support in trade operations, risk control, compliance, trade reports and marketing for a series of investment strategies (global event-driven strategy, convertible arbitrage strategy and greater China equity long/short strategy). The team adopts different strategies for investing in different markets and asset categories, with the aim of maximising gain after risk adjustment. With its growing track record of accomplishments, the Absolute Return Investment team is ready for external fundraising.

In the Traditional Asset Management business, fixed income products performed well, with the QDII Greater China Bond Fund, set up in November 2012, registering a 12.6% net return after expenses. Everbright Dynamic Bond Fund I, launched in December 2012, achieved a 9.2% (type A) and 36.7% (type B) net return after expenses. Everbright Dynamic Bond Fund II, set up in late February 2013, recorded a 10.4% (type A) and 38.2% (type B) net return after expenses. The Group also built on its existing Qualified Domestic Institutional Investor (QDII) products, and added Qualified Foreign Institutional Investor (QFII) and RMB Qualified Foreign Institutional Investor (RQFII) products to enable the Group to participate in more cross-border investments between mainland China and Hong Kong. In addition, the Group diversified its investment categories by participating in the private placement of equity and quasi-equity PIPE projects from listed companies, expanding its product offerings. To pave the way for new products and investments in the future, the Secondary Market Investment Business applied for an additional US$300 million QFII quota (totalling US$400 million) and received a license to invest in the interbank bond market in China. Everbright Prestige also laid a good foundation for the rapid growth of AUM in the Secondary Market, which will generate additional stable income for Everbright.

To support the growth of the Secondary Market operations, the Group underwent an adjustment and restructuring of its overall operational structure in 2014. Division of work and manpower became more defined and enhanced, and research into the fundamentals of various bonds, stocks and companies was deepened, as was the search for potential partners. The Group also started the formation of a professional institutional sales team, which will lay the foundation for the future expansion of Secondary Market products while maintaining and strengthening relationships with existing clients.

STRUCTURED FINANCING AND INVESTMENT BUSINESS

By fully leveraging Everbright's own capital, its Structured Financing and Investment Business took part in short- and medium-term mezzanine financing, as well as investment opportunities in bonds and equities. Through providing structured financing products to listed companies and their major shareholders, this business segment supports the onshore and offshore financing needs of invested companies as well as bringing good return for the Group.

Currently this business segment is divided into two primary categories: Capital Investment and Financing and the RMB Mezzanine Fund. The former primarily engages in short- and medium-term offshore financing or investment, and provides companies with customised and focused financing and investment structures. The latter satisfies the diverse onshore and offshore mezzanine financing needs of Mainland enterprises through its RMB Mezzanine Fund I with fund raising scale of RMB 800 million. The Mezzanine Fund I has essentially completed its investments. To meet the increasingly high demand for offshore structured financing and investment, the team has begun preparatory work to raise funds for USD Fund.

In 2014 the Structured Financing and Investment Business realised a profit of approximately HK$188 million, a decrease of 21% compared to 2013. Interest income from loans and bonds as well as management fees generated from managed projects totalled HK$282 million, representing a year-on-year increase of 36%. Investment income was HK$246 million, representing an increase of 17% and made a provision of HKD210 million for some projects under a prudent approach. During the reporting period, the team progressively drove a structural reorganisation project within the Mainland's high-tech industry, riding the strong growth of the sector. It also became the first to enter into discussions with insurers to introduce their funds into the projects, representing a new milestone for Everbright's fundraising strategy.

In 2015 Everbright's Structured Financing and Investment Business will aim to grow and expand its channels. Leveraging the substantial and increasingly frequent bilateral flow of cross-border capital, it will raise USD and RMB funds more efficiently, thereby growing this business into another sizable asset management segment.

EVERBRIGHT PRESTIGE CAPITAL ASSET MANAGEMENT COMPANY

With the full implementation of the Mainland's new Fund Act in 2014, special asset fund management subsidiaries experienced overall growth. Taking this opportunity, the Group acquired a stake in Everbright Prestige Capital Asset Management Company. Everbright Prestige has received the PRC Certificate of Business Qualification of Asset Management for Specific Clients, issued by the China Securities Regulatory Commission, and it will become an important carrier and business platform for Everbright's future asset management business in mainland China. During the reporting period under equity accounting method, the business after tax profit contribution to Everbright reached HK$12 million , Everbright Prestige demonstrated its value in four areas: AUM contribution, product creation and design, distribution channels and client consolidation, and more "Everbright" synergy.

1. Stronger fund-raising capability. Everbright Prestige demonstrates the Group's capabilities in product development, investment and management, resulting in rapid growth in AUM. During the reporting period, Everbright Prestige has raised RMB7.1 billion for Everbright managed products, and RMB20.4 billion for products not directly managed by Everbright.

2. More efficient product issuance. The Group's various Mainland client-oriented products developed by the Secondary Market team can now be issued through Everbright Prestige, significantly accelerating the establishment of Everbright's own products.

3. More systematic sales and distribution channels for client integration. Through Everbright Prestige, Everbright can better integrate its sales and distribution channels as well as its client resources to raise capital for the funds it manages.

4. More organic synergy. Through Everbright Prestige, China Everbright Limited can directly collaborate with banking, securities and insurance subsidiaries under the China Everbright Group. During the reporting period, China Everbright Limited, operating through Everbright Prestige, shared with China Everbright Bank the capital raised from HNWIs and used these funds for cross-border asset management, leveraging the QDII quota of Everbright Pramerica.

Given the continued synergistic growth between wealth management and asset management, it is likely that Everbright Prestige will grow further to become the leading RMB asset management institution in mainland China.

AIRCRAFT LEASING BUSINESS

China Aircraft Leasing Group Holdings Limited (CALGH) under Everbright is a pioneer in aircraft leasing total solution in China. Everbright, being the largest shareholder, holds a 36.74% stake in CALGH, which was officially listed on the main board of the Hong Kong Stock Exchange (stock code: 01848.HK) on 11 July 2014, with an issue price of HK$5.53. Total funds raised was approximately HK$729 million. As at 31 December 2014, CALGH's share price was HK$11.5, an increase of 108% from the listing price. Everbright is optimistic about the prospects of the aircraft leasing industry and will continue to support CALGH's business expansion. Following several years of rapid growth, CALGH has already gained a competitive edge within the industry due to several features.

1. "Dual Platforms" business model. CALGH has two leasing platforms, located in Tianjin and Ireland, which complement each other's strengths. Using the overseas leasing platform in Ireland, CALGH is much more flexible when it orders aircraft and acquires assets. Also, by commercialising aircraft purchases as an independent aircraft leasing company, CALGH can reduce costs significantly. At the same time, it can obtain lower financing costs and more tax savings through the offshore platform. Through the domestic platform, Everbright can help CALGH take advantage of its extensive international financial network, and maintain good relationship with manufacturers and airlines in both the domestic and international aviation industries.

2. Securitisation of accounts receivable. Everbright helps CALGH adopt a business model of asset securitisation, and also package its accounts receivable – e.g. aircraft leases – for sale. By doing this, CALGH can achieve both good investment return and quick return of capital. This creates an effective business cycle for bringing in more aircraft, gradually transforming the securitisation of aircraft leases into another asset management business. During the reporting period, CALGH sold 4 aircrafts to large financial institutions in mainland China through asset securitisation.

3. Operating leasing business model. CALGH's leasing business uses this model instead of the traditional finance leasing model. Not only does it lay a good foundation for an favorable taxation implication, but it also helps maintain aircraft ownership and provide airlines with the value-added service of the aircraft Life circle chain. In addition, it enhances cooperation between airlines and CALGH.

4. Develop aircraft disassembly operation and extend the aviation industry chain. In December 2014, CALGH and the Municipal Government of Harbin signed a memorandum of understanding to invest in and build China's most sizable aircraft disassembly base. This signified the start of CALGH's expansion into downstream business, an important step in building a business model that includes a service platform for the whole life cycle of an aircraft. CALGH will purchase, in advance, aging aircraft which are about to be decommissioned. It will then lease back the aircraft to airlines or transform them into cargo planes and provide them to freight companies. When the leases are drawing to an end, the decommissioned aircraft are then dismantled. This process not only satisfies the market's demand for the disposal of retaining aircraft, but it also provides favourable conditions for airlines to optimise the usage and value of aged aircrafts, thus speeding up airlines' fleet expansion and renewal of fleet. In addition, it promotes the growth of CALGH's new aircraft leasing business. The development of this business will consolidate CALGH's leading position in the operating aircraft leasing industry and create another high-growth business segment for the Group.

In 2014 CALGH delivered 19 aircrafts, expanding its fleet to 44 in total. Income continues to grow rapidly, and the business' after-tax profit contribution to Everbright, under equity accounting method, reached HK$122 million, a year-on-year increase of 49%. (This excludes the one-off deemed disposal gain of HK$140 million on the listing of CALGH.) In December 2014 CALGH signed an agreement with Airbus to purchase 100 planes, becoming Airbus's biggest leasing company client in China. Looking ahead, CALGH will further expand into global aviation markets that show development potential, providing creative, flexible leasing solutions to clients around the world.

CHINA EVERBRIGHT BANK

In 2014, China Everbright Bank's pre-tax dividend income contribution to the Group amounted to HK$350 million, representing an increase of 165% compared to the same period in 2013. Based on the Group's strategy of focusing resources on effectively developing Hong Kong's macro asset management business, China Everbright Limited sold 112 million shares of China Everbright Bank's A-shares to its parent company, China Everbright Group, on 24 February 2014 for a total consideration of RMB 278 million. This lowered China Everbright Limited's shareholding in China Everbright Bank to 3.51%.

EVERBRIGHT SECURITIES

Since the China Securities Regulatory Commission issued the "The Decision on Removing the Restrictive Measures on Everbright Securities Company Limited's Securities Proprietary Business and Reviving the Acceptance of the Company's New Business Application" in July 2014, the operations at Everbright Securities – an associated company in which the Group has a 33.33% stake – have continued to recover. The Group's share of profit as per the associates financial statement, under equity accounting method, amounted to HK$870 million (2013: HK$86 million).

To help the further development of its overseas securities business, Everbright Securities announced on February 2015 its plans to acquire a 70% stake in Sun Hung Kai Financial Limited, a subsidiary of Sun Hung Kai (00086.HK).

Financial Positions

As at 31 December 2014, the Group's total assets amounted to approximately HK$52.6 billion,with cash on hand of approximately HK$4.5 billion. Apart from current liabilities in the ordinary course of business and those related to derivative financial instruments, the Group's major liabilities are bank loans and amount due to a fellow subsidiary and shareholder of approximately HK$8.6 billion and HK$0.5 billion, respectively. Loans are obtained to finance the Group's working capital requirements and investment in China mainland. The actual borrowing depends on the Group's business and investment needs. As at 31 December 2014, the Group's borrowing facilities amounted to approximately HK$9.5 billion. The Group's gearing ratio, calculated as interest bearing liabilities divided by shareholders' equity, was 23.9% as at 31 December 2014 (2013: 11.5%). The Group had no material exposure to foreign exchange fluctuations other than assets and bank loans denominated in Renminbi, Singapore dollar and US dollars.

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 is executed by the Risk Management Department. This functional structure can assess, identify and document the Group's risk profile and to ensure that the business units focus, control and systematically avoid potential risks in various business area. The following is a brief description of the Group's approach in managing these risks.

(a) Credit risk

The Group's credit risk is primarily attributable to advances to customers, trade and other receivables, debt investments and unlisted derivative financial instruments.

For advances to customers, the Group requires collateral from customers before advances are granted. The amount of advance permitted depends on the quality and value of collateral provided by the customer. Any subsequent change in value as well as quality, of collateral is closely monitored in order to determine whether any corrective action is required.

Trade and other receivables mainly arise from the Group's investment activities. Receivables from brokers and counterparties are normally repayable on demand. The Group has established procedures in the selection of brokers/counterparties with sound credit ratings and/or reputation.

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

The Group has well defined policies in place on the setting and approval of trading, credit and investment position limits in order to manage its credit risk exposure and concentration. As at the balance sheet date, the Group did not have a significant concentration of credit risk other than the provision of advances to customers which are secured by unlisted securities, leasehold land or third parties guarantees of HK$2,836 million (2013: 2,035 million).

The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, on the balance sheet date deducting any impairment allowance. Except for the corporate guarantee set out in note 20, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of the corporate guarantee at the balance sheet date amounted to HK$875 million (2013: HK$2,451 million).

(b) Liquidity risk

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

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

(c) Interest rate risk

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

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

The Group is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In respect of the Group's interest-bearing financial instruments, the Group's policy is to transact in financial instruments that mature or reprice in the short term, i.e. no longer than 12 months. Accordingly, the Group would be subject to limited exposure to fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

(d) Currency risk

The Group's exposure to exchange risk primarily stems from holdings of monetary assets and liabilities denominated in currencies, other than Hong Kong dollars and net investment in foreign subsidiaries and associates. As most of the Group's monetary assets and liabilities and net investment in foreign subsidiaries and associates are denominated in Hong Kong dollars, United States dollars or Renminbi, management does not consider there to be any significant currency risk.

The Group is exposed to equity price changes arising from equity investments classified as trading securities, available-for-sale securities (see note 9), financial assets designated as fair value through profit or loss (see note 10) 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 are mainly listed on the Stock Exchange of Hong Kong, the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Decisions to buy or sell trading securities rest with assigned investment team professionals and each investment portfolio is governed by specific investment and risk management guideline. Independent daily monitoring of each portfolio against the corresponding guideline is carried out by the Risk Management Department. Listed investments held in the available-for-sale securities and financial assets designated as fair value through profit or loss portfolio have been chosen based on their medium to long-term growth potential and are monitored regularly for performance against expectations.

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

EMPLOYEES

As at 31 December 2014, the Group had 209 employees. Total staff costs for the period under review amounted to approximately HK$274 million as noted in the consolidated income statement. The Group ensures that the remuneration packages for employees are fair and competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Discretionary year end bonus may also be paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme and training programmes.

PROSPECTS

The global economy in 2015 will face two major uncertainties. The first is the risk of global deflation, which could result from the plunges in energy and commodity prices. Although this would help reduce the operational and investment costs of midstream and downstream industries, it could add to the risk of a slowdown in inflation, placing even more pressure on enterprises and nations that rely on oil exports. The second is the pending rise of interest rates in the United States in 2015. This will not only speed up the repatriation of capital from around the world, but also increase the financing costs of USD-denominated debt as well as risk to newly emerging countries with high levels of USD debts (especially economies with double-digit deficits, and those that are heavily reliant on external financing).

China's economic slowdown is expected to continue in 2015. To prevent the economy from decelerating too quickly, interest rates may be further reduced and fiscal stimulus measures expanded as cross-border capital flows become more volatile. Everbright will pursue the following efforts in light of these development trends:

1. Expand its HNWI client base. Given the declining interest rates in mainland China, the rate of return from traditional investment products, such as bank deposits, is not enough to satisfy investors' demand. The US' economic recovery and the strong US dollar are also leading to increasing demand for overseas asset investment. For these reasons, the need for high value-added wealth management services among Mainland investors (especially HNWIs) is obvious. With a far lower penetration rate of the Mainland asset management industry compared to developed markets, the potential for growth is huge. Everbright will seek more fundraising opportunities through the secondary market.

2. Expand further into the overseas and M&A markets. UNCTAD predicts that the value of global multinational investments will expand from USD1.6 trillion in 2014 to USD1.7 trillion in 2015. The need to transform and upgrade mainland Chinese enterprises is expected to be more urgent, and many more Chinese companies will set up or expand their overseas businesses and engage in M&As. At the same time, the RMB exchange rate will come under pressure due to the economic situation; so too will exports, resulting in greater demand for allocation to USD assets. This also increases the opportunities for cross-border investment activities. By setting up more diverse global M&A funds, Everbright will invest in overseas enterprises capable of generating good synergistic effects with the market demand in China.

3. Seize the opportunities arising from the internationalisation of the RMB. The progress of the RMB's internationalisation means enhanced depth and breadth of offshore RMB-denominated products, and wider channels for cross-border investment. Shanghai-Hong Kong Stock Connect was launched in 2014, and Shenzhen-Hong Kong Stock Connect may launch in 2015. QDIE and RQDII are also going to be initiated. All these will help Everbright's cross-border investment activities and its issuance of cross-border investment products. The Group will make use of its own license and platforms in places like the Shanghai Free Trade Zone to study and benefit from free trade policies, promote cross-border capital flows and usage, and increase the rate of return and liquidity through measures like asset securitisation.

OUR STRATEGIES

In 2015 Everbright will continue to expand its asset management operation, improve its resource deployment, raise management efficiency and increase return on assets. At the same time, China Everbright Limited will gradually exit from the passive investments that it holds following the restructuring of China Everbright Group. The strong finances of its headquarters will be used not only for nurturing and supporting the development of the fund business, but also for market investment. These measures will bring about more long-term gains for China Everbright Limited, and unleash the value of its capital to the greatest extent possible. Concrete measures include:

I. Fund Management Business. As Everbright's core business, fund management will continue to raise long-term funds, expand the scale of asset management operations and improve its deployment of resources. It will also continue to seek good investment opportunities, raise management efficiency and increase returns on assets. With China Everbright Limited's asset management business growing more mature, the Group will restructure the functions of each team and division of work to strengthen its checks-and-balances mechanism and further develop the following businesses:

1. Primary Market. This business segment will continue to be developed through the Group's diverse product lines, with sustained organic growth as the goal. China Everbright Limited will accelerate project divestments and new product development. Provided that sufficient risk control and guaranteed rate of return can be achieved, it will develop customised products to meet investors' ever-changing investment needs.

2. Secondary Market. With Everbright Prestige's increasingly mature fundraising platform, as well as more cooperation with third-party sales and distribution organisations, AUM by Everbright's Secondary Market business saw rapid expansion. Looking ahead, the Secondary Market business will take advantage of the overseas investment credentials that it has achieved to speed up the launch of new products and effectively handle related investments, as well as manage more onshore and offshore external capital.

3. Structured Financing and Investment. Goals in this area include appropriately increasing leverage with rigorous risk control, packaging capital originally intended for investment and financing as fund product, creating new mezzanine funds and raising the scale of asset management. Everbright also intends to meet the fund demand currently being generated by two-way capital flows between mainland China and overseas markets, and provide USD and RMB investment and financing services.

4. Fundraising support. To share client resources and unify marketing strategies, Everbright will set up institutional investor marketing and fundraising teams, and develop third-party fundraising channels. It will also create a platform, led by a professional team, to market products to HNWIs.

II. Investment with proprietary capital. The group will set up additional professional investment teams for proprietary capital, strengthen the firewall of the fund management business and create a new business engine. Details include:

1. Using proprietary capital and funds managed by Everbright to co-invest in industries or good-quality projects with high growth potential, and obtain substantial investment-related gain for the Group.

2. Continuing with Everbright's existing concept of giving newly established business teams with high potential a suitable amount of seed capital to help them invest and grow.

3. Continuing to seek attractive strategic M&A opportunities to increase the scale of Everbright's overall operations.

4. Broadening the categories of marketable products, and setting up a fund of funds to get involved in high-growth industries in China and overseas. This fund can be invested in quality external funds, or Everbright's internal funds.

5. Allocating a portion of self-owned capital to fixed income products to achieve stable income.

6. With strict risk control, using self-owned capital to provide value-added services such as bridge loans for investment projects, so as to maximise the Group's return on equity.

After several years of transformation, China Everbright Limited delivered robust results in 2014. We firmly believe that 2015 will bring more challenges and opportunities for Everbright's cross-border platform. With the increasing liberalisation of capital flow between mainland China and overseas markets, the gradual progress of China's economic and industrial transformation had become further defined. As the equity structure under China Everbright Group becomes clearer, China Everbright Limited will see huge opportunities as a result. We will continue to seize every opportunity to make Everbright into the region's leading cross-border asset management platform, generating even higher returns for our shareholders and clients.

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

Hong Kong, 30 March 2015

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

Executive Directors
Mr. Tang Shuangning *(Chairman)*
Dr. Liu Jun *(Deputy Chairman)*
Mr. Chen Shuang *(Chief Executive Officer)*
Mr. Tang Chi Chun, Richard
Mr. Jiang Yuanzhi

Non-executive Director
Mr. Wang Weimin

Independent Non-executive Directors
Mr. Seto Gin Chung, John
Dr. Lin Zhijun
Dr. Chung Shui Ming, Timpson