

NEW NORMAL NEW EQUILIBRIUM

新常態 新平衡

annual report 2015
stock code: 165



SERVICE PHILOSOPHY

MAKING WEALTH SIMPLE

We adhere to our service philosophy with sound corporate governance, professionalism and tailored financial solutions, helping our clients create wealth and value with ease.

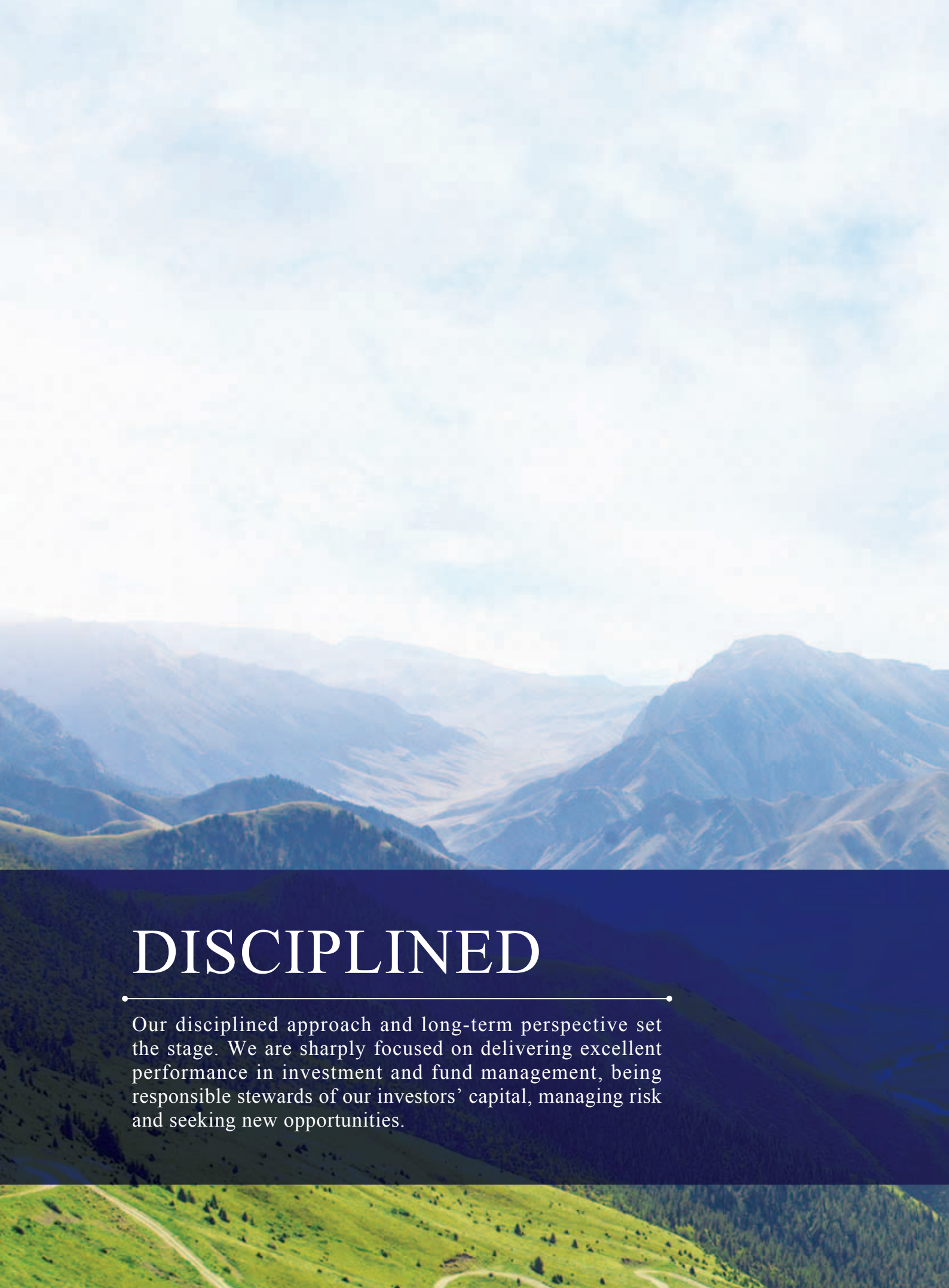
COVER STORY

Yoga focuses on breathing, meditation and thinking calm thoughts. Yoga helps its practitioners feel more relaxed, balanced and, more importantly, stronger. Faced with a complex external environment, CEL's made structural readjustments and vigorously sought to optimize its business operations across various segments, with long-term perspective, achieving a much stronger "new balance" under the "new normal".



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DISCIPLINED

Our disciplined approach and long-term perspective set the stage. We are sharply focused on delivering excellent performance in investment and fund management, being responsible stewards of our investors' capital, managing risk and seeking new opportunities.





PACE

Global scale, optimal fundraising structure and diversity across real estate markets allow us to identify relative value and move capital to the most attractive opportunities, with a more elastic portfolio.



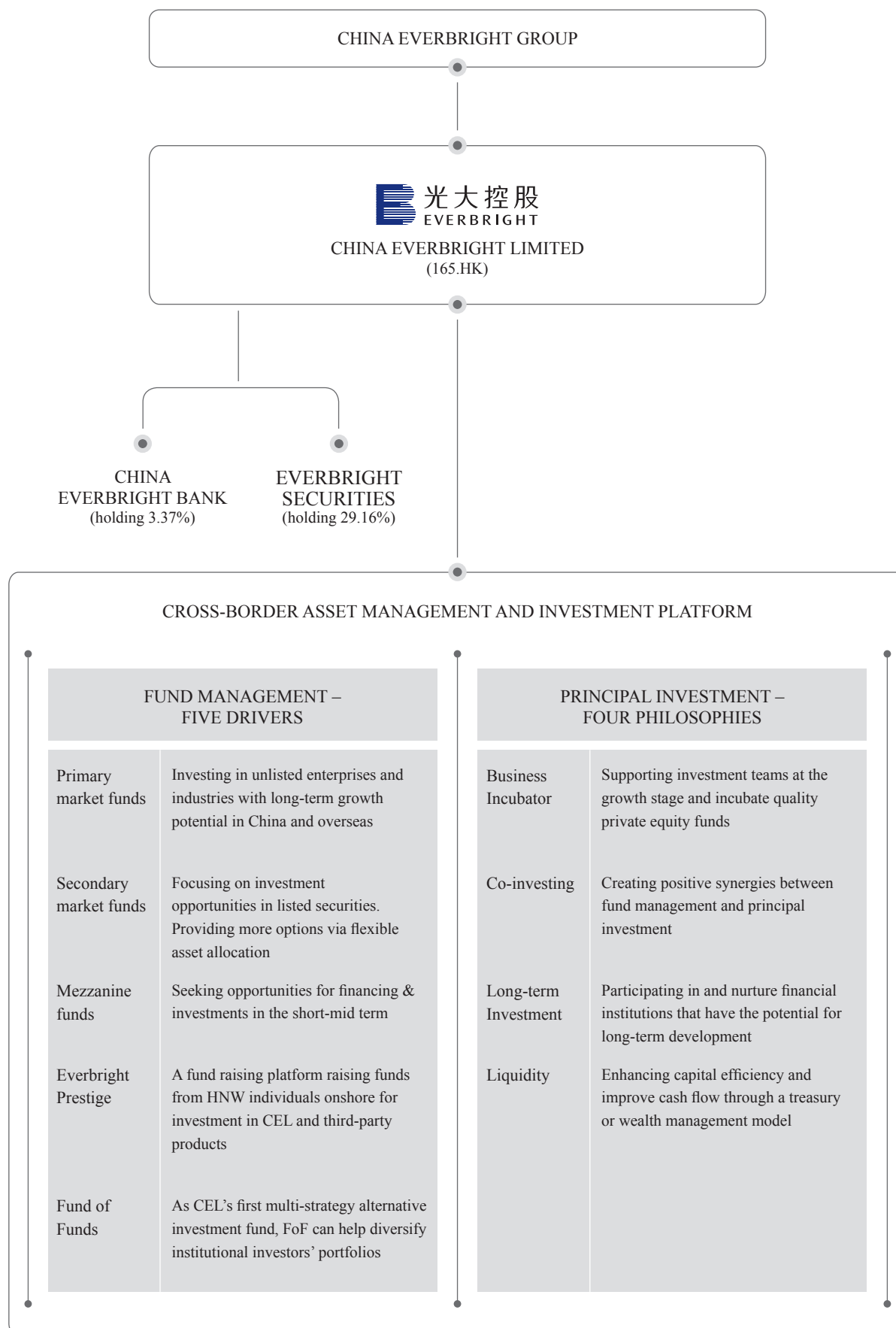


NEW BALANCE

A new balance gives us the opportunity to reassess and recalibrate, make structural readjustments, and maintain steady growth in times of opportunity and challenge. Through active transformation efforts in investment regions, dual currency assets, and a balance between fund management and principal investment, we have built an even stronger foundation for future growth.



COMPANY OVERVIEW



CORPORATE STRATEGY

We strive to build a cross-border investment and asset management platform that combines our leading core competencies with high growth, high return and stable income



History and milestones of China Everbright Limited

1997 – 1999

Striving to become the first offshore Chinese financial holding company

2005 – 2007

Expanding the company's investment fund operations

2011 – Now

Scaling growth and platform integration

2000 – 2004

Entering into the field of direct investment

2008 – 2010

Nurturing a cross-border macro asset management platform

The Group has built a cross-border macro asset management platform based on its unique competitive advantages:

- Trust from domestic and overseas investors as a state-owned enterprise under the Chinese government
- Deeply established in the China investment market, investing in industries and projects with high potential
- A Hong Kong-listed platform with international standards of operation
- A market-driven incentive scheme that helps attract and retain the best domestic and overseas talent to help realise the Group's "create value, share value" philosophy together
- Solid capital and a strong balance sheet, allowing the Group to nurture and grow new funds with seed capital while using self-owned capital for market investment to create significant return on investment
- A promising track record by offering customised products for investors that continuously generate rapid growth in assets under management as well as stable, sustainable income growth
- A diversified product structure enabling flexible investment combination amid various market conditions

2015 RESULTS HIGHLIGHTS

DISCIPLINED

Cross-border platform strategy

In a year of opportunities and challenges, CEL remained committed and disciplined to its own operational policy to develop a cross-border investment and asset management platform.

Qualification for Cross-border Investment Business

In January 2015, Everbright Prestige was granted provisional qualification as a QDIE by the Shenzhen Municipal Government's Financial Development Services Office to further expand the business scope of its cross-border investments.

Investment Funds

The Group's fund management business actively managed 31 funds, 7 more compared with end-2014.

Total fundraising scale

In 2015, a year of volatile market conditions, the total fundraising scale was HK\$49.0 billion, a slight decrease of 2.6% compared to 31 December 2014.

PACE

First year following parent company post-restructuring

China Everbright Group, the parent company post-restructuring, entered the Fortune Global 500 list for the first time and received recognition from the international community.

Synergy across China Everbright Group

Though CEL's various funds products, CEL can create synergy with internal resources across China Everbright Group.

Received an investment-grade credit rating

In December 2015, CEL was awarded credit ratings of "Baa2" and "BBB" by Moody's and Fitch Group respectively. It is the first time the Group received an investment-grade credit rating from international independent credit rating agencies.

Business segments demonstrated increasingly balanced contributions

CEL rigorously implemented the relevant regulations of the CSRC and delayed the exit plans for some investment projects, while the Secondary Market and Structured Financing and Investment teams still effectively reduced the impact of volatile market conditions on investment returns.

NEW BALANCE

Internal control mechanism became more balanced

Commenced a middle office operation team and a uniform domestic sales and fundraising team, as well as improved the composition of CEL's fund investment decision-making teams and decision-making standards.

Better balanced in investment regions

As at 31 December 2015, CEL invested in 16 post management projects outside of mainland China, accounting for 24.7% of its investment projects.

More balanced fundraising structure

The Group made changes to its fundraising structure through active transformation efforts, helping achieve better balance.

More diversified Investment model

CEL not only invested in several enterprises as a financial investor, but also by way of strategic investment and industry consolidation.

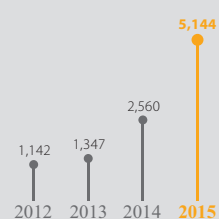


Operating income (in HK\$ 100 million)	2015	2014	Change
Operating income, mainly including:	21.3	16.9	26%
Fund management fees	2.5	2.3	9%
Consultancy fees	3.0	1.9	58%
Interest income	6.0	4.5	33%
Dividend income	8.4	7.2	17%
– Contribution from China Everbright Bank (before tax)	3.7	3.5	6%

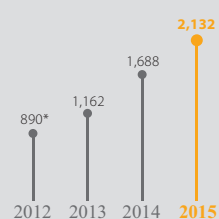
Financial performance of CEL's Direct operating business (in HK\$100 million)	2015	2014	Change
Pre-tax profit of Fund Management Business	10.9	12.3	-11.4%
Pre-tax profit of Principal Investment Business	3.0	4.6	-34.8%
Total expenditure	11.8	10.6	11.3%
Total cost-to-income ratio	40.1%	35.5%	+4.6pp
Cost-to-income ratio (before interest)	28.6%	28.1%	+0.5pp
Gearing ratio	33.8%	23.9%	+9.9pp

Distribution of equity attributable to the Company's equity shareholders (in HK\$100 million)	End 2015	30 June 2015	Change
Direct operating business	172	174	-1.1%
Everbright Securities	142	124	14.5%
China Everbright Bank	80	105	-23.8%

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS (HK\$ million)

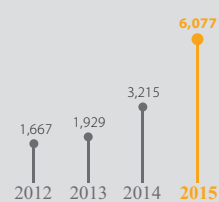


OPERATING INCOME (HK\$ million)

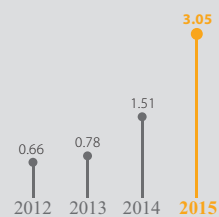


* Restated

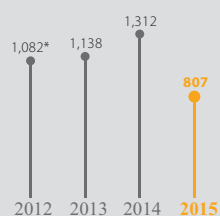
EBITDA (HK\$ million)



BASIC EARNINGS PER SHARE (HK\$)

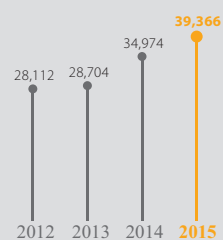


OTHER NET INCOME (HK\$ million)

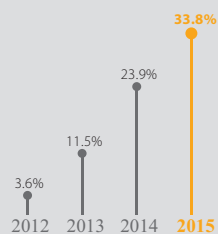


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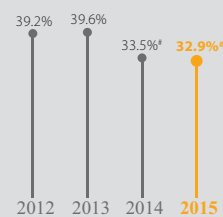
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY (HK\$ million)



GEARING RATIO (%)



DIVIDEND PAYOUT RATIO (%)



* The dividend payout ratio excluded the gain on deemed disposal of interest in associates and joint ventures.

2015 REVIEW

BUSINESS ACHIEVEMENTS

Investment projects of CEL's New Energy Fund – Anyang Xinsheng, Leili Group, Jiangsu Turbine Seal and "Little i Robot" – were listed on The New Over-the-counter Bulletin Board (OTCBB/New Third Board)

CEL invested in Sinowel Enterprise Group

Investment projects of CEL's Venture Capital Fund – Newplan, Yonder Environment and Surpass Sun – were listed on The New OTCBB. Another project, Hanbang Gaoke, was listed on the Growth Enterprises Market (GEM) Board

CEL jointly acquired Ambrx Inc., an innovative American biotechnology company



CEL's RMB Mezzanine Fund entered into a joint investment in AVIC Precision Casting Science and Technology Co., Ltd.



CEL became a strategic shareholder of Shanghai Jiabao and Sunshine 100, accelerating the development of its real estate fund, EBA Investments, and expanding its network in real estate asset management. During the year, EBA Investments collaborated with the Singapore-listed Ying Li International to integrate its commercial properties, developed the "IMIX Park" brand, and released the study "2015 Investment Strategy for Real Estate Funds on the Selection of Cities"

CEL investment project Focus Media completed a backdoor listing on the A-shares market through Hedy Holding

CEL established a multi-strategy alternative investment fund (Fund of Funds) and completed first-phase fund-raising of RMB5 billion



CEL's Venture Capital Fund won six equity investment and venture capital investment awards at "The China Equity and Venture Capital Investment Industry Recognition Awards Presentation Ceremony 2015"

Everbright Dynamic Opportunities Fund was a nominee for "Best New Asian Hedge Fund" by The EurekaHedge Asian Hedge Fund Awards 2015



CEL and Zero2IPO Group co-organised "The 15th – China Equity Investment Annual Forum". Also, in the "China Venture Capital & Private Equity Annual Rankings 2015", CEL was ranked 13th – among the top 20 PE institutions, 3rd – in medical and healthcare investment, 3rd – in advanced manufacturing investment, 2nd – in clean technology investment, and 4th – among the "Top 30 China PE Institutions (Foreign)".



The Everbright Investment Conference 2015 was successfully held in Chongqing

CEL was given a rating of "Baa2" by Moody's and "BBB" by Fitch Ratings



CEL's EBA Investments was named No.1 of Top 10 Funds among the China Real Estate Funds



CEL's aircraft leasing company, – CALC, was named "Aircraft Lessor of the Year" by Global Transport Finance

CORPORATE SOCIAL RESPONSIBILITY AND RECOGNITIONS

The China Everbright Charitable Foundation is a strong supporter of long-term charity projects that benefit the Hong Kong community. This includes backing “The Everbright Project”, which has been operating in conjunction with the Caritas Family Crisis Support Centre for six consecutive years to address issues facing Hong Kong’s middle class; sponsoring a mainland China study tour for Hong Kong teachers, organised by the Hong Kong Federation of Education Workers, for the past three years; and serving as one of the primary long-term supporting organisations of Lifeline Express.



CEL volunteers visited the Caritas Lok Hing Child Care Centre and Heep Hong Society Special Child Care Centre, participated in the Sowers Action Challenging Charity Hike, and supported the Parent-Child Visiting Program of the Lifeline Express Eye-train Hospital in Qiqihar, Heilongjiang.



For four consecutive years, CEL has donated HK\$1 million to Lifeline Express as the Title Sponsor of a charity fund raising dinner jointly held by the two organisations.



CEL supported the Hong Kong Ballet as the Title Sponsor of the Christmas production of "The Nutcracker".



CEL has been awarded "Caring Company" and "Caring Organisation" logos for five straight years.



CEL's 2014 Annual Report won two Silver Awards in the Financial Category of the LACP Vision Awards, the Gold Award at the Galaxy Awards, and a number of recognitions at the International ARC Awards.



CEL was awarded the "Happy Company" Label and "Employer of Choice Award 2015".

CEL's CEO, Chen Shuang, was re-appointed as a member of the FSDC and issued a report on Chinese enterprises "Going Global" with the FSDC's Mainland Opportunities Committee.

SOCIAL ACTIVITIES AND PROFESSIONAL SEMINARS



In 2015, CEL's CEO, Chen Shuang, attended a number of professional financial seminars on behalf of the company. These included the "CGCC Forum – The Future Economy and Opportunities in Hong Kong", a luncheon hosted by Citi, the Economic and Financial Forum jointly organised by Hong Kong, Beijing and Taiwan's Economic times, the Heilongjiang (Hong Kong) Co-operation Seminar, the 14th China Private Equity Summit, the 2015 China and Globalisation Roundtable Forum and The First HKAECF/HK-ASEAN Expert Forum. Mr Chen also served as guest speaker for these events.





CEL HAS PROVED ITS METTLE OVER THE YEARS

CEL, the international financial flagship of China Everbright Group, has enhanced its intrinsic value and set strategic maneuvers in place.

CHAIRMAN'S STATEMENT



China Everbright Group Ltd., (“CEG”) was founded in Hong Kong and has maintained an operational presence in Beijing and Hong Kong for the last 33 years. China Everbright Limited (“CEL” or “the Group”), the CEG’s international flagship, has grown alongside Hong Kong for over two decades. Today, CEG combines the full spectrum of financial service licenses with leading-edge corporate capabilities, and it possesses unrivalled strengths that have propelled it into the ranks of the world’s top 500 companies.

CEG’s remarkable performance in 2015 is attributable to CEL’s achievements on three fronts. Firstly, CEL serves as the Group’s international flagship and the window onto the financial world. Secondly, it is a major contributor to the Group’s value. In 2015, CEL

posted an operating income of HK\$2.13 billion, up 26.3% year on year; profit attributable to equity shareholders was HK\$5.14 billion, an increase of 101% compared with the same period last year. And shareholder equity reached HK\$39.4 billion. The company also maintained its gearing ratio at a healthy 33.8%. Thirdly, CEL provides a base of strategic reserves, helping the company connect internally with its sister companies and externally with well-known corporations to play the multiple roles of investor, financier and fund manager. This year the company acquired shares in the Jiabao Group, took over US companies BEP and Lapmaster, and set up a fund of funds (FoF).

These successful efforts have contributed admirably to CEL’s intrinsic value and CEG’s new strategic maneuvers. I applaud CEL for its achievements, and I am confident that the company will reach new heights in the future.

We have proved our mettle over the years, but the global, Chinese and Hong Kong economies are encountering difficult times. I believe that our industrious colleagues, respected shareholders and valued clients will work together to stay on top of any emerging challenges. Let’s make the coming year an occasion for celebration!

Tang Shuangning
Chairman

23 March 2016



FORGING AHEAD WITH BALANCED DEVELOPMENT

Anchored by the strong growth of CEL's domestic investment funds, CEL's overseas investment platform also made significant progress in 2015, leveraging opportunities presented by the RMB internationalisation, Chinese enterprises "going global" and Chinese investors accelerating their asset allocation internationally.

MANAGEMENT DISCUSSION AND ANALYSIS

The year 2015 saw the emergence of highly complicated economic and financial conditions around the world. The US economy showed stable growth, the US dollar continued to appreciate against other currencies, and in December the Federal Reserve raised interest rates for the first time since June 2006. In the Eurozone, economic conditions remained challenging even with the European Central Bank's signals that it may ease monetary policy, and geopolitical risks became increasingly prominent. Improvement in Japan's real economy is yet to be seen despite the country's on-going implementation of extremely accommodative monetary policy.

Against a backdrop of weak external economic conditions, China's economic growth declined further in the second half of 2015. The real economy slowed down as the official manufacturing PMI stayed below the boom-bust line of 50% over several straight months. During the reporting period, China's stock market saw a roller coaster ride, undermining market confidence and weakening the direct financing functions of capital markets. On the other hand, following the implementation of a major package of exchange rate reforms – including the introduction of a mechanism for setting the RMB's central parity rate in August, and the inclusion of the RMB in the Special Drawing Rights (SDR) basket in December – the RMB exchange rate became more flexible, reversing expectations of long-term appreciation of the Chinese currency. In addition, China became a net capital exporter as its outbound investments surpassed foreign investment into the country for the first time.

All these factors indicate the Mainland economy's gradual move towards a "new normal". The RMB's two-way fluctuations significantly boosted China's need for external investment, presenting the cross-border asset management industry with greater growth opportunities. At the same time, cross-border asset management institutions were confronted with stiffer industry competition and more stringent requirements for investment capability.

China's integration with the global market is a general trend set to continue. The continued accumulation of wealth by Mainland residents and two-way fluctuations of the RMB exchange rate are driving Mainland investors to speed up internationalization of asset allocation. After several years' build-up, China Everbright Limited ("the Group" or "CEL")'s overseas investment business, guided by the Chinese enterprises to "go global" and RMB internationalization, made significant progress in 2015. During the reporting period, CEL completed the acquisition of Burke E. Porter Machinery Company ("BEP"), a manufacturer of automobile testing tools in the US. This was followed by the acquisition of Lapmaster Group Holdings, LLC. ("Lapmaster"), a developer and manufacturer for highly engineered precision surface finishing equipment and consumables. The Group expanded its sector coverage by investing as a Limited Partner in Haiyin Fund, which owns a large number of overseas innovative high-tech investment projects. It also planned to acquire infrastructure projects in Europe with positive long-term operational track records, while continuing to build a pipeline of quality projects and set up overseas infrastructure funds. Mature teams such as the Medical and Healthcare funds as well as Real Estate funds in the Primary Market Funds segment also began expanding into overseas investment businesses.

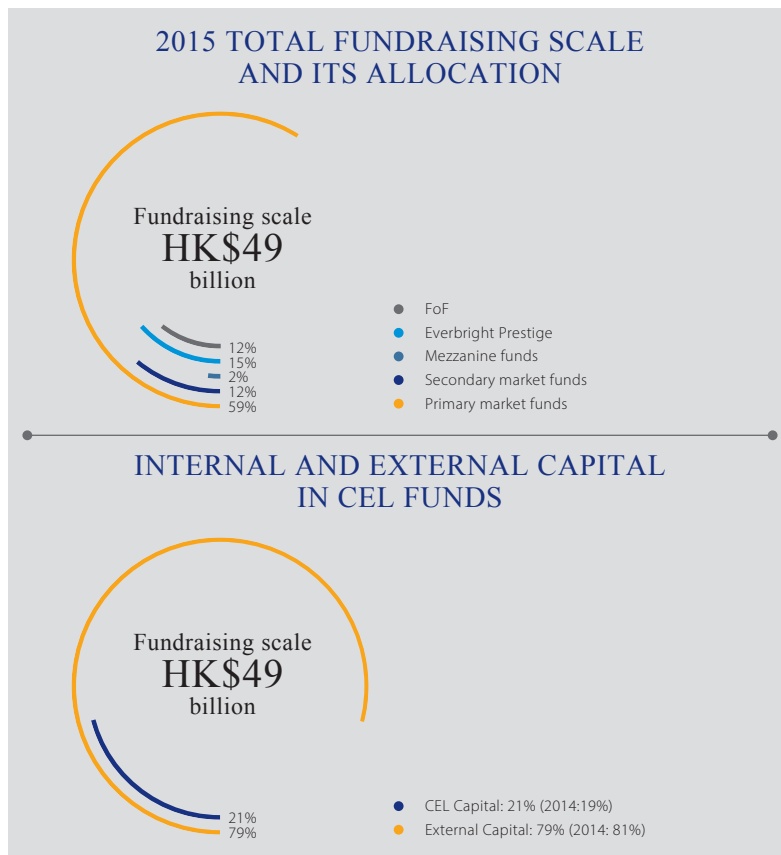
China's economy faced increasing downward pressure, the rate of return on traditional investment products subdued, posing further challenges to the investment and fundraising capabilities of asset management companies. After years of development in its investment team and the management platform, CEL took full advantage of its low leverage ratio and strong financing capability to successfully complete the second round closing of CEL Catalyst China Israel Fund, and establish Medical and Healthcare Fund II and a multi-strategy alternative investment fund ("FoF fund"). CEL made substantial progress on these fronts during the reporting period, enabling it to provide more product choices for investors.

In summary, 2015 was a year of opportunities and challenges. CEL remained committed to its own operational policy, directing efforts towards maintaining steady growth, making structural readjustments, vigorously pursuing opportunities and meeting market challenges, built an even stronger foundation for growth.

Major Events of the Year

In light of the overall external environment and CEL's long-term strategy of developing its cross-border investment and asset management business, the Group maintained steady growth, made structural readjustments and vigorously sought to optimise its business operations across various segments in 2015, achieving a "new balance" under the "new normal". The main achievements are as discussed below:

1. China Everbright Group ("CEG"), the parent company post-restructuring, entered the Fortune Global 500 list for the first time and received recognition from the international community. CEG's steady growth has laid a solid foundation for CEL's accelerated development.
2. In December 2015, CEL was awarded credit ratings of "Baa2" and "BBB" by Moody's and Fitch Group respectively. It is the first time the Group received an investment-grade credit rating from an international independent credit rating agency. This places CEL in an even stronger position to seize the substantial business opportunities presented by the accelerated flows of domestic and foreign capital.
3. CEL's fundraising structure is more balanced. During the reporting period, the Group made changes to its fundraising structure through active transformation efforts. On one hand, perceiving increasing risks in China's real estate of some cities, the EBA Investments team, capitalised on the opportunity of relatively high market demand to exit from a number of existing real estate mezzanine loan



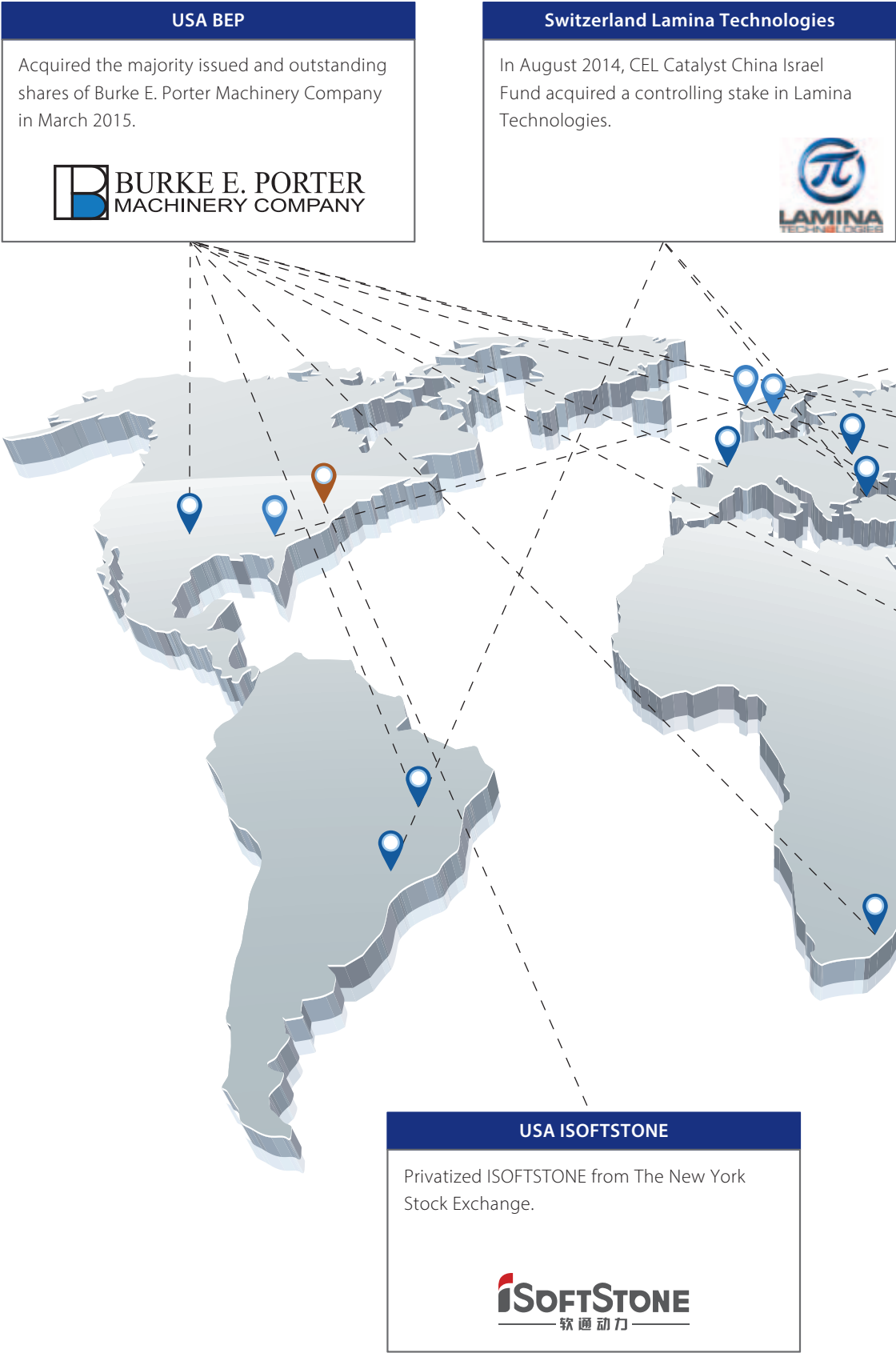
projects, and result in decrease of AUM. On the other hand, responding to the increasingly significant demand of cross-border asset allocations, CEL intensified its efforts to raise funds from domestic financial institutions. In December, CEL established its first multi-strategy alternative investment fund (the "FoF fund"), which has a target size of RMB10 billion, and completed RMB5 billion of fundraising in the first phase.

4. CEL's investment regions were better balanced. As at 31 December 2015, the Group had 16 post management projects invested outside of mainland China, accounting for 24.7% of its investment projects. By the end of 2015, the CEL Catalyst China Israel Fund, which was founded in 2014, raised commitments in excess of USD200 million. The team also started building up a pipeline for Global M&A Fund.
5. CEL's internal control mechanism became more balanced. While intensifying efforts to shape up its investment business, CEL also set more stringent requirements on its management structure and mechanism. During the reporting period, CEL set up a middle-office operation team at the Head Office to strengthen the connection between the front-office investment team and the back-office control department; established a uniform domestic sales and fundraising team to improve its ability to deal with the asset allocation needs of various institutional investors; improved the composition of fund investment decision-making teams and decision-making standards; strengthened the capacity of its electronic operations and their synergy with major platforms, and promoted the building of a Corporate Data Warehouse, resulting in much-improved internal controls.

6. CEL's business segments demonstrated increasingly balanced contributions. During the reporting period, CEL's Primary Market team observed and rigorously implemented the relevant regulations of the China Securities Regulatory Commission (CSRC), which to some extent delayed the exit plans for some listed projects. However, despite barely satisfactory capital market conditions in the Mainland and Hong Kong, CEL's Secondary Market team and Structured Financing and Investment team still achieved good investment returns through proactive asset allocation and management strategies, which effectively reduced the impact of relevant regulations on investment returns.
7. CEL's investment model became more diversified. In 2015, CEL not only invested in several enterprises with growth potential as a financial investor, but also became a shareholder of several listed companies as a strategic investor, (including Jiabao Group, 600622.SH). These moves have improved the Group's industry consolidation capacity.
8. Thanks to their increasingly mature performances and strong track record, CEL and its teams won a number of industry awards across various categories in both Hong Kong and China market:

Awards in 2015

Award Date	Award Issuer	Award Winner	Name of Award
27 March 2015	Enterprise Research Institute of the Development Research Center of the State Council; Tsinghua University Institute of Real Estate Studies; China Index Academy	EBA Investments	No. 1 of Top 10 funds in terms of comprehensive strength among China's real estate funds
22 June 2015	Zero2IPO Group	CEL	No. 5 among Chinese institutional LPs in 2014
1 September 2015	China Venture Capital & Private Equity Association	CEL Venture Capital Funds	"Outstanding Achievement Award" for high-performing equity investment institutions, "Best Exit Equity Investment Institution", one "Gold Prize", one "Silver Prize" and two "Bronze Prizes" for excellent equity and venture capital investment projects
18 November 2015	China Mergers & Acquisitions Association of the All-China Federation of Industry and Commerce	CEL M&A Fund	M&A transaction service award
4 December 2015	Zero2IPO Group	CEL	No. 13 among PE Institutions of the Year, No. 4 among Foreign PE Institutions of the Year, No. 3 in Medical and Healthcare Sector, No. 3 in Advanced Manufacturing Sector, No. 2 in Clean Technology Sector
15 December 2015	Global Transport Finance (GTF)	CALC	Aircraft Lessor of the Year



USA Lapmaster

Acquired Lapmaster Group Holdings, LLC., a developer and manufacturer for highly engineered precision surface finishing equipment and consumables.



USA Haiyin Fund

Invested in Haiyin Fund as an LP in June 2015. This fund focus on high-tech opportunities in USA.

Singapore Ying Li

Invested in Ying Li, a PRC property developer listed in Singapore, to further enhance the international network of Everbright's Real Estate platform.



Hong Kong (Ireland) CALC

Acquired around 48% of CALC, and made it a publicly traded company in July 2014.



Operating Results

During the reporting period, CEL conducted a thorough review and optimisation of its existing business system and management structure, resulting in the grouping of its direct operating business into Fund Management and Principal Investment. Under this structure, the Fund Management Business has been making an increasingly solid contribution from its fee income, and the Principal Investment Business remains a key driver of the Group's growth across various segments. Meanwhile, the Group also worked out a sound risk management system and "Chinese wall" to avoid conflicts of interest, and to safeguard the interests of both the shareholders and fund investors.

Key financial performance

In 2015, CEL posted an operating income of HK\$2.13 billion, up 26.3% year on year; other net income mainly consists of investment gain, down by 38.5% to HK\$0.81 billion; the Group's Fund Management Business recorded a pre-tax profit of HK\$1.09 billion, down 11.4% compared to 2014, and the Principal Investment Business generated a pre-tax profit of HK\$300 million, down 34.8%. The Group's total expenditure amounted to HK\$1.18 billion, an increase of 11.3% compared with last year. Total cost-to-income ratio was 40.1%, representing an increase of 4.6 percentage points. Cost-to-income ratio (before interest) amounted to 28.6%, increased by 0.5 percentage points. As a result of vigorous secondary market trading, the turnover of the Group, which mainly represents gross sale proceeds from disposal of trading securities of secondary market investments, increased 57.2% to HK\$10.4 billion.

Financial performance of CEL's Direct operating business (in HK\$100 million)	2015	2014	Change
Pre-tax profit of Fund Management Business	10.9	12.3	-11.4%
Pre-tax profit of Principal Investment Business	3.0	4.6	-34.8%
Total expenditure	11.8	10.6	11.3%
Total cost-to-income ratio	40.1%	35.5%	+4.6 pp
Cost-to-income ratio (before interest)	28.6%	28.1%	+0.5 pp

Profit of major business segments

During the fiscal year ended 31 December 2015, profit attributable to equity shareholders was HK\$5.14 billion, an increase of 101% compared with the same period last year. In particular, CEL's after-tax profit from the Direct operating business was HK\$450 million, down 67.2% over the same period last year. CEL's share of profit from Everbright Securities amounted to HK\$3.04 billion, an increase of 249.4% compared with the same period in 2014. China Everbright Bank contributed a dividend income after tax of HK\$330 million, an increase of 3.1% from last year. Besides, since Everbright Securities completed its private placement on September 2015, the Group recorded a net gain on deemed disposal of interest in associates of HK\$1.32 billion.

In 2015, the decrement of after-tax profit of Direct operating business is mainly because:

1. During 2015, although the net fair value increased by HK\$3.3 billion among the Group's available for sale securities (excluded investment in China Everbright Bank), the notice announced by CSRC (on 8 July 2015) postponed CEL from some originally planned divestment in 2015. In particular, the investment revaluation reserve of the investment in China Everbright Bank decreased by HK\$1.6 billion, but the overall investment revaluation reserve of the Group increased by 15.8% to HK\$11.7 billion (as at 31 December 2014: HK\$10.1 billion). As CSRC issued an updated guideline in January 2016, CEL will reinitiate the procedures for exiting from some of its investments in certain mature projects, to maintain sustainable growth in investment income.
2. Given the relatively volatile market conditions, through a prudent approach and to reserve a safe margin, the Group recorded impairment loss on a few investees.
3. By exiting from a number of projects in Mainland China, the corresponded tax increased significantly for the reporting period.

Profit of major business segments (in HK\$100 million)	2015	2014	Change
Direct operating business	4.5	13.7	-67.2%
Share of profit from Everbright Securities	30.4	8.7	249.4%
Dividend income contributed by China Everbright Bank (after tax)	3.3	3.2	3.1%
Gain on deemed disposal of Everbright Securities	13.2	—	—

Distribution of equity attributable to the Company's equity shareholders

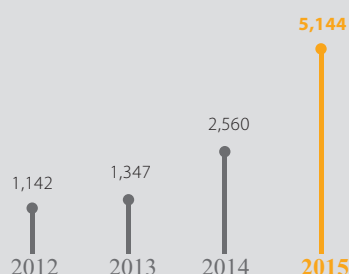
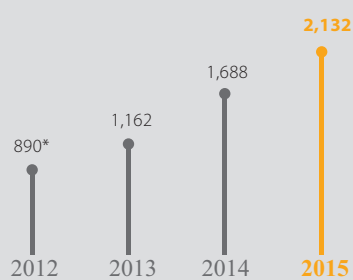
In the second half of 2015, CEL's total shareholder equity declined 2.5% to HK\$39.4 billion compared with 30 June 2015, reflecting the impact of market and exchange rate fluctuations. In particular, the Group's equity in the Direct operating business was HK\$17.2 billion, down 1.1%; the book value of CEL's share of Everbright Securities' was HK\$14.2 billion, up 14.5%; and its equity attributable to shareholding in China Everbright Bank was HK\$8 billion, down 23.8%.

Distribution of equity attributable to the Company's equity shareholders (in HK\$100 million)	End 2015	30 June 2015	Change
Direct operating business	172	174	-1.1%
Everbright Securities	142	124	14.5%
China Everbright Bank	80	105	-23.8%

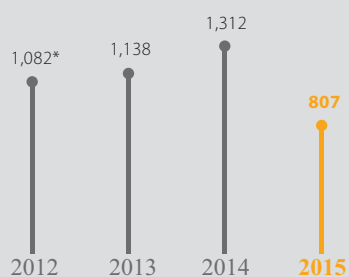
In addition, the Group increased its bank borrowings at a measured pace to support the further development of its asset management business. The Group's gearing ratio increased to 33.8% as at 31 December 2015, compared with 25.2% as at 30 June 2015, which is still at a comfortable level.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

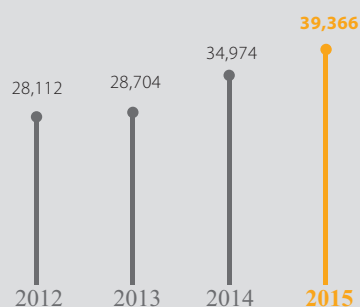
(HK\$ million)

**OPERATING INCOME** (HK\$ million)

* Restated

OTHER NET INCOME (HK\$ million)

* Restated

TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY (HK\$ million)**Core Business****Fund Management Business**

The Group's fund management business includes Primary Market Funds, Secondary Market Funds, Mezzanine Funds, Multi-strategy Alternative Investment Fund (FoF Fund) and Everbright Prestige Capital Asset Management Company Limited ("Everbright Prestige"), providing investors from Asia-Pacific, Europe and the US with diversified services.

In recent years, the Group's fund management business has expanded rapidly, extending its investment footprints to overseas. In terms of asset chain, it has grown from traditional equity investment to include sector funds such as healthcare and real estate – industries that require thorough understanding and thereby provide more established fund management products.

As at 31 December 2015, the Group's fund management business actively managed 31 funds (excluding non-actively managed funds raised through different channels for other external institutions). It had a total of 71 post-investment management projects, of which 14 projects were listed on various stock markets across the globe. The total fundraising scale was HK\$49.0 billion, a decrease of 2.6% over 31 December 2014, with external funds accounting for approximately 79%. The outstanding committed capital balance plus the aggregate value of project investments amounted to HK\$50.9 billion, representing a decrease of 5.9% compared to fiscal year 2014.

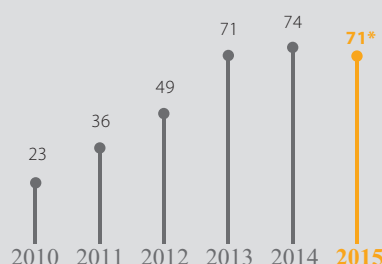
The list of funds under the Group's fund management business (as at 31 December 2015) is as follows:

Fund business	Type of funds	Name of Fund	Year of launch	Investment focus	Fundraising scale
Primary market funds (14 funds)	Private equity funds	China Special Opportunities Fund I	2004	Manufacturing & servicing	USD 50 M
		China Special Opportunities Fund II	2007	Telecom, media, hi-tech & consumer	USD 100 M
		China Special Opportunities Fund III	2010	Agriculture, consumer goods, servicing & financial auxiliary	USD 399 M
	Venture capital funds	Beijing Zhongguancun Investment Fund	2007	High-growth manufacturing, hi-tech & servicing	RMB 200 M
		Everbright Jiangyin Asset Investment Fund	2009	High-growth industries	RMB 260 M
		Everbright Guolian Fund	2009	High-growth industries	RMB 320 M
	Sector focus funds	Everbright Ashmore China Real Estate Fund (USD)	2009	China real estate	USD 140 M
		Everbright Ashmore China Real Estate Fund (RMB)	2009	China real estate	RMB 12.4 B
		Everbright Hero Fund	2014	Ying Li International Real Estate	USD 120 M
		Everbright Medical and Healthcare Fund I	2012	Healthcare industry	RMB 600 M
		Everbright Medical and Healthcare Fund II	2015	Healthcare industry	RMB 1 B
		Everbright Jiangsu New Energy (Low Carbon) Fund	2010	New materials, environmental protection & energy saving	RMB 100 M
		Everbright Qingdao New Energy (Low Carbon) Fund	2013	New materials, environmental protection & energy saving	RMB 650 M
		Shandong Hi-Speed Everbright Industrial Fund	2014	Municipal services, environmental protection, clean energy	RMB 1.8 B
	M&A funds	CEL Catalyst China Israel Fund	2014	Innovative Israeli companies	USD 200 M
Secondary market funds (15 funds)	Equity funds		2012	Equity investments	HKD 4.24 B equivalent
	Fixed income funds		2012	Fixed-income investments	HKD 1.52 B equivalent
	PIPE and New Third Board Market fund		2015	PIPE & New Third Board opportunities	HKD 0.25 B equivalent
Mezzanine funds		Onshore Mezzanine Fund	2012	Onshore mezzanine financing	RMB 800 M
Everbright Prestige		Fundraising for CEL's actively managed products	2014	Asset management for onshore clients	RMB 6.3 B
FoF Fund		Multi-strategy alternative investment fund	2015	promising enterprises or projects that have yet to be listed, with investment targets including private equity, venture capital and real estate	RMB 5 B
Total					HK\$49 billion

Income analysis (by nature of income)

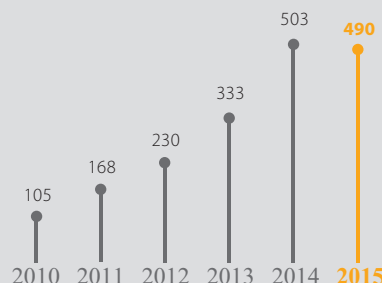
During the reporting period, income from the fund management business was HK\$1.64 billion, down 2.4%. Of the total income, fund management and performance fees accounted for HK\$250 million, representing an increase of 47.1% over the same period last year. Interest income from the provision of structured financing products for clients was HK\$80 million, representing a decrease of 11.1% compared with the same period last year. Dividend income amounted to HK\$80 million, down 68%. In terms of investment returns, by disposal of financial assets, the Group realised capital gain increased by 1267% to HK\$1.23 billion. On the other hand, the Group recorded an unrealised loss of HK\$420 million due to market volatilities and policy restrictions on project exit channels.

NUMBER OF INVESTEE PROJECTS UNDER EVERBRIGHT FUNDS



* As at 31/12/2015, 14 projects are listed globally

TOTAL FUNDRAISING SCALE (HK\$100 million)



Income from fund management business (Classified by nature of income) (in HK\$100 million)	2015	2014	Change
Fund management and performance fees	2.5	1.7	47.1%
Consultancy and arrangement fees	2.8	1.8	55.6%
Interest income	0.8	0.9	-11.1%
Dividend income	0.8	2.5	-68.0%
Other Net Income (realised gain)	12.3	0.9	1267%
Other Net Income (unrealised (loss)/gain)	(4.2)	8.8	N/A

Pre-tax profit analysis (By business segment)

The Group recorded a pre-tax profit of HK\$1.09 billion from the fund management business, a decrease of 11.4%. In terms of the contributions of various fund segments, Primary Market Funds (the Group's most established segment under the fund management business), which rigorously implemented the relevant regulations of the CSRC, recorded a pre-tax income of HK\$930 million, down 18.4% over the same period last year. Secondary Market Funds achieved satisfactory income despite difficult market conditions, posting a pre-tax income of HK\$120 million – a sharp improvement over the same period last year. Mezzanine Funds performed stably and also started work on the launch of a new series of USD-denominated and RMB-denominated mezzanine funds. After one and a half years of incubation, Everbright Prestige began to assume a growing role in supporting the fundraising and product development efforts of CEL's various funds.

Pre-tax profit from fund management business (By business segment) (in HK\$100 million)	2015	2014	Change
Primary Market Funds	9.3	11.4	-18.4%
Secondary Market Funds	1.2	0.5	140%
Mezzanine Funds	0.2	0.3	-33.3%
Everbright Prestige	0.3	0.1	200%

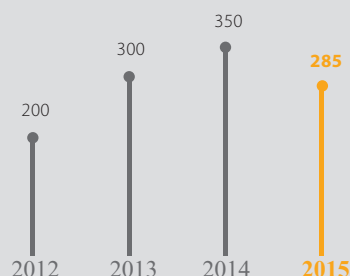
Primary Market Funds

Primary Market Funds – which mainly comprise Private Equity Funds, Venture Capital Funds, Sector Focus Funds and the Overseas Mergers & Acquisitions (M&A) Funds – remains the Group's most established business segment. They invest in industries such as precision instruments, infrastructure, new materials, medical and healthcare, and real estate.

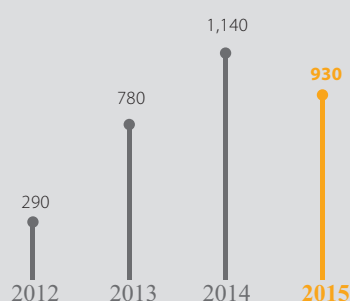
As at 31 December 2015, Primary Market Funds raised a total of HK\$28.5 billion and managed 67 post-investment management projects. In 2015, Primary Market Funds invested in 15 projects, and completely divested 19 investment projects. The Primary Market Funds recorded a pre-tax profit of HK\$930 million, down 18.4% over the same period last year.

On 8 July 2015, under relatively volatile market conditions, CSRC issued the "Notice on Issues Concerning the Increase of Shareholding in a Listed Company by Its Principal Shareholders, Directors, Supervisors, and Senior Executives" to alleviate the pressure of intensive sell-offs and help restore balance between supply and demand in the stock exchange. In strict accordance with the relevant provisions, CEL postponed the planned exits of its funds from a number of projects. On 7 January 2016, CSRC issued "Several Provisions on Shareholding Reduction by Principal Shareholders, Directors, Supervisors and Senior Executives of a Listed Company". Following these guidelines, CEL will reinstitute the procedures for exiting from some of its investments in certain mature projects in a lawful, transparent and orderly manner.

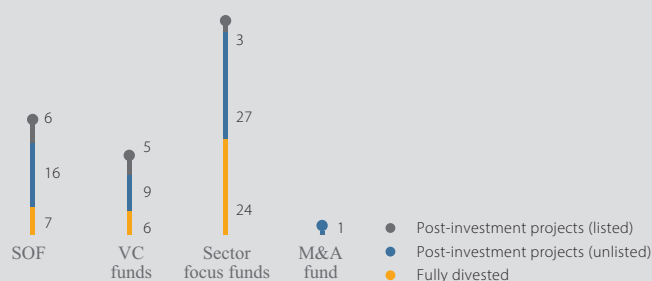
TOTAL AMOUNT OF FUNDS RAISED OF PRIMARY MARKET (HK\$ 100 million)



PRE-TAX PROFIT OF PRIMARY MARKET (HK\$ million)



POST-INVESTMENT PROJECTS OF PRIMARY MARKET



1. Private Equity Funds

In 2015 the Group's three China Special Opportunities funds moved into the exit stage and managed a total of 22 post-investment projects. In the first half of 2015 the Group achieved relatively good investment return by capitalising on opportunities arising from the Chinese capital market boom and disposing of all its shares of Beingmate, as well as a portion of its shares of Anhui Yingliu Electromechanical, which just beyond the lock-up periods.

Currently, the Special Opportunities Fund series is holding a large number of shares and convertible bonds of listed companies that are already beyond their lock-up periods. The team will choose an opportune time to dispose of these available-for-sale securities and realise greater capital gains. Meanwhile, yet-to-be-listed companies have been under good care operationally, with investees such as China UMS maintaining steady growth.

LISTED PROJECTS OF SOF

Anhui Yingliu
(603308.SH)



Being Mate
(002570.SZ)



SPT Energy
(1251.HK)



Beijing Jingneng
(579.HK)



**Gold Wind Science
and Technology**
(002202.SZ)



**China High Speed
Transmission**
(658.HK)



Binhai Investment
(2886.HK)



Sunshine Paper
(2002.HK)



2. Venture Capital Funds

The three Venture Capital Funds managed by the Group's fund management team – Everbright Guolian Fund, Everbright Jiangyin Asset Investment Fund and Everbright Zhongguancun Investment Fund – have completed their investment periods and are now in the stage of post-investment management. In 2015, 2 of the 20 Venture Capital Funds investee projects had launched an IPO, 3 had been listed on the New OTC BB market, 6 had been totally divested and 1 was to be acquired by a listed company. In particular, CECEP Wind-power has been listed on the main board of the Shanghai Stock Exchange; Hanbang Gaoke and Shenzhen Jiawei Photovoltaic Lighting have been listed on the Shenzhen Stock Exchange's Growth Enterprise Market; and Beijing LvSan Chemistry, Jiangsu Yida Chemical, Beijing Leili, Anyang Xinsheng Machine Tool, CAXA, Yonder Environment, Newplan and Surpass Sun Electric have been listed on the New Third Board market. On 22 April 2015, the listed Bohai Water Industry announced plans to acquire Jiacheng Environmental Protection, an investee project held by Venture Capital Funds, and the application for such deal has been accepted by CSRC.

LISTED PROJECTS OF VC FUNDS	
Shanghai Stock Exchange	
CEC Wind-Power Corporation (601016.SH)	
Shenzhen Stock Exchange	
Hanbanggaoke (300449.SZ)	
Shenzhen Jiawei (300317.SZ)	
New Third Board	
Beijing LvSan Chemistry	
Yida Chemical	
LeiLi	
Anyang Xinsheng Machine Tool	
CAXA	
Yangde Environment	
New Plan	
SunpassSun Electric	

In 2015, the investment team completely divested three post-investment management projects and partially divested two post-investment management projects. Beijing LvSan Chemistry was completely divested through a negotiated transfer on the New Third Board Market in April 2015, Beijing Zhongke Huayu Energy Technology Development was completely divested via M&A in May; and Jiangyin Libo Pharmaceutical Biotechnology was completely divested via an equity transfer in August. All these exits realised good investment returns.

The Venture Capital team is currently working on a new phase of fundraising. It is seeking to build on the successful experience and investment strategies of CEL's Venture Capital Funds while capitalising on the opportunity presented by the state's launch of a strategy of proprietary innovation to encourage and support rapid development of tech innovation-based enterprises. New target investees will be industry-leading, innovative, high-growth, high-tech enterprises, in line with the concept of strategic emerging and Internet+ industries. During the reporting period, the investment team concluded framework cooperation agreements with several potential limited partners (LP). It also continued to hold discussions with potential investors and prepare relevant legal documents for fund establishment.

3. Sector Focus Funds

The Group's Sector Focus Funds concentrate on pillar industries in mainland China that can offer stable returns, as well as emerging industries with sizeable growth potential. The funds cover five specific sectors – real estate, infrastructure, medical and healthcare, new energy, and overseas markets. Backed by highly professional teams with thorough understanding of these markets, Sector Focus Funds have uncovered investment opportunities in every sector and achieved gains arising from the long-term growth and structural demands of various industries.

Real Estate Funds

As the Group's largest Sector Focus Fund, Everbright Ashmore Real Estate Fund ("EBA Investments") has become the leader among China's real estate private equity funds. During the reporting period, EBA Investments earned the top rank in the "2015 Top 10 Funds in Terms of Comprehensive Strength Among the 2015 China Real Estate Funds", an analysis which was jointly prepared by the Development Research Centre of the State Council, Tsinghua University's Institute of Real Estate Studies and the China Index Academy. EBA Investments, is responsible for multi-currency and multi-strategy USD-denominated (i.e. Everbright Ashmore China Real Estate Fund ("USD Fund 1") and RMB-denominated funds.

During the reporting period, USD Fund 1, which invests in Chinese real estate projects with high growth potential applying an equity investment strategy, entered its divestment period. USD Fund 1

successfully exited from two Shenyang Rongsheng projects in early 2015, bringing the number of exits to four out of a total of six investment projects. Following the divestment, the Limited Partners of USD Fund 1 have recovered all of their investment capital and have begun to realise profit. The remaining projects of USD Fund 1 are a retail project in Shanghai (IMIX Park) and a residential project in Xuzhou. Both of which are expected to generate a profit for investors and are now under satisfactory post-investment management.

In 2015, the overall risks in mainland China's real estate market grew, despite the government's relatively lax monetary policy. On the one hand, there was a serious over-supply of residential properties in tier-3 and tier-4 cities as well as non-central areas in some tier-2 cities. Although investment opportunities could still be found in tier-1 cities, the relatively high land prices there made development quite risky. On the other hand, stock market volatility in 2015 resulting in increased demand for fixed-income investment, bringing good exit opportunities for EBA Investments' RMB funds, which focus on fixed-income investment. Under such strategy, as at the end of 2015, with regard to RMB funds, the platform had a total AUM was approximately HKD14.8 billion, of which 93% was raised externally, and a 37% decline in funds under management from HKD23.6 billion in the middle of the year. EBA Investments does not only apply pure equity or pure debt instruments, but also improves the ability of Property Management. The projects under management lie mainly in the core districts of Beijing, Shanghai, Chongqing and other prominent cities. A total of four shopping centre with a total area of approximately 326,700 m² are under management: the best of this group is represented by the IMIX Park project in Chongqing. In addition to the shopping centres, EBA Investments also have two other projects under active development with a total area of about 754,600 m², including the prestigious New Beijing Centre in Tongzhou.

In line with our innovative and customer-centred post-investment management model, EBA BJ AMC established EBA Investments (Beijing) Science and Technology Co., Ltd. in the third quarter of 2015. The company will develop smart “Internet-related” applications that will improve our client’s lifestyle and enhance our asset management capacities for its existing properties. Our primary model is online-to-offline (“O2O”) integration. Furthermore, in pursuit of a successful O2O model, it will bring technologies such as iBeacon, smart parking recorders and smart lock to our assets and in the process collect data on foot traffic and transaction conversion, that in the future will be integrated on the mobile internet. EBA Investments has signed a strategic cooperation agreement with Baidu to work on precision marketing and stored-value membership cards as part of this project.

The value of core properties which can generate stable cash flow is now increasingly important as a result of China’s slowing economic growth and falling interest rates. Therefore, The EBA Investments team has already begun to implement a strategy that will see more resources being invested in prime sites of core cities while strengthening its ability to acquire and actively manage commercial assets. Meanwhile, on the strength of the incorporation of the existing IMIX Park brand and our 2014 acquisition of the Singapore listed Ying Li International and its various high-end shopping malls, the EBA Investments team will further expand its acquisition of and management services for large shopping malls in a bid to enhance its brand impact and increase management fee income. Furthermore, rising demand for long-term fixed-income assets enabled EBA Investments to partner with Everbright Prestige to promote full-service real estate asset securitisation.

EVERBRIGHT ASHMORE CHINA REAL ESTATE FUND (USD)

Fundraising scale
HK\$1.1
billion equivalent
(2014: HK\$1.1 billion)

HK\$0.4 billion
HK\$0.7 billion

● CEL’s capital
● External capital

EVERBRIGHT ASHMORE CHINA REAL ESTATE FUND (RMB)

Fundraising scale
HK\$14.8
billion equivalent
(2014: HK\$23.8 billion)

HK\$1.1 billion
HK\$13.7 billion

● CEL’s capital
● External capital

Healthcare Fund

Healthcare costs are increasingly becoming a significant part of people's consumption spending in China. With the transition of China's economic growth model, the focus on service, consumption and high end technologies will be the major direction for the structural readjustments in Chinese industries and the construction of a new economy. In the healthcare sector, the demand for medical care and elderly care has been rising rapidly due to an ageing population. We expect many new healthcare investment opportunities will emerge from the ever-higher spending on medical and healthcare services, the breakthrough in medicine and medical technology brought about innovations, and from the globalisation of Chinese healthcare and pharmaceutical enterprises.

Against this background, Everbright Healthcare Fund's investments will mainly focus on the following areas: 1. the integration of best medical technologies and medical services with medical insurance; 2. the advanced technologies and business models that can effectively resolve the need of high unmet medical needs, such as chronic disease management and terminal disease treatment for an ageing population; 3. The best providers that can meet consumers' upgrade demand of products and services in healthcare; 4. cross-border acquisition of advanced healthcare technologies; and 5. the internationalisation of Chinese meditech and pharmaceutical enterprises.

As at the end of 2015, the Everbright healthcare team managed two funds. Everbright Medical and Healthcare Fund I with a fundraising size of RMB600 million, essentially completed its investment phase. It is now in the project management and exit stage. Everbright Medical and Healthcare Fund II raised RMB1 billion, saw its first closing in February 2015 and completed investment in four projects during the year.

Regarding Everbright Healthcare Fund I, the portfolio companies continued to perform well. CEL continued to work towards enhancing the post-investment value of its investees. During the reporting period, investee BGI submitted an IPO prospectus for listing on the Growth Enterprise Market in December 2015. Investee AMCARE Women's & Children's Hospital carried out preparations for a dual listing overseas (as a red chip company) and in mainland China. Investees Zhejiang Beta Pharma Inc. and Kunming Jida Pharmaceutical Co., Ltd. entered the final stage of IPO. Post-investment management projects like Yuwell saw constantly increasing income and profit.

In early January 2015, Everbright Healthcare Fund II partnered with other CEL funds to invest in China Traditional Chinese Medicine, and helped the company complete the acquisition of an 87.30% stake in Jiangyin Tianjiang Pharmaceutical Co., Ltd. in the second half of 2015. In May, the fund – in collaboration with Fosun Pharma, HOPU Investments and WuXi AppTec – acquired Ambrx Inc., a protein therapeutics R&D company in the US. After completing the integration of Ambrx's North American team, it is now preparing for a listing on the New Third Board market and is expected to launch clinical tests on major new proprietary drugs in Australia soon. In the second half of 2015, the investment team completed investments in the Mevion and BioChain projects. Based in Boston, Mevion is a leading producer of advanced proton therapy systems for cancer treatment. BioChain (Beijing) Science and Technology Co., Ltd. specialises in molecular diagnostics for cancer treatment and is commercialising production in mainland China of leading screening and diagnostic products for colon and rectum cancer, stomach cancer and lung cancer.

Currently the healthcare team has completed investments in a total of 10 projects under Fund I and Fund II, covering both the domestic and overseas markets. In 2016 the investment team will focus on post-investment management of the above projects, closely monitoring market changes and the operations of the investees in order to prepare for suitable exit plans. At the same time, it will actively work on the launch of Everbright Medical and Healthcare Fund III.

Infrastructure Fund

CEL partnered with Shandong Hi-Speed Group in 2014, completing the first closing of Shandong Hi-Speed Everbright Industrial Fund after successfully raising RMB1.8 billion. Through this fund, CEL focuses on the changes and developments brought about by a new type of urbanisation in mainland China, concentrating on investment opportunities generated by industry upgrades in areas such as municipal services, environmental protection and clean energy.

Currently Shandong Hi-Speed Everbright Industrial Fund's investment drive is in full swing, with 4 post-investment projects under management. In 2015 the investment team invested in three new projects. Jiangsu Central Autoparking Co., Ltd., with eight patented technologies under its belt, is known for next-generation parking technology and a commitment to resolving the problem of limited parking spaces in urban China. Located in Shenyang of Liaoning Province, Guodian Northeast China Environmental Protection Industry Group Co., Ltd. and its subsidiaries together own 10 sewage treatment plants and one processing station, with a daily processing capacity of 1,250,000 tonnes of sewage. And Eastern Energy (Pingyuan) Gas Co., Ltd. is mainly engaged in providing natural gas pipeline services for industrial and commercial companies.

CEL has also been involved in the financing of Shandong High-Speed Group's major projects, leveraging CEL's asset management expertise to help revitalise inventory assets through asset securitisation.

New Energy Funds

CEL's New Energy team manages two RMB funds, Everbright Jiangsu New Energy (Low Carbon) Fund and Everbright Qingdao New Energy (Low Carbon) Fund. These funds focus on areas such as energy conservation and environmental protection, new materials, clean energy, high-end clean manufacturing and green consumption. Everbright Jiangsu New Energy (Low Carbon) Fund has completed investments, and Everbright Qingdao New Energy (Low Carbon) Fund is still in its investment period. Currently the New Energy team is managing 7 post-investment projects. During the reporting period, Everbright Qingdao New Energy (Low Carbon) Fund invested in 3 projects, with 1 listed on the New Third Board market and 1 lodged an IPO application.

In January 2015 Turbine Seal High-Technology, invested by Everbright Jiangsu New Energy (Low Carbon) Fund, became the first enterprise under this fund to have been listed on the New Third Board market. In September 2015 Everbright Qingdao New Energy (Low Carbon) Fund, through an investment in Zhizhen Intelligence, accessed for the first time the emerging information industry characterised by the artificial intelligence/Internet+ concept. Zhizhen Intelligence is the world's largest technology and operation provider of Chinese-language intelligent robot "Little i Robot" and was listed on the New Third Board market in December 2015. Meanwhile, the fund management team submitted an IPO application for Jiangyin Hengrun Heavy Industries Co., Ltd. under its management that was accepted on 13 November 2015.

Besides, Shandong Huajian Warehousing Equipment Technology Co., Ltd., an investee of New Energy Funds, is carrying out shareholding reform and will actively pursue opportunities for a listing. Investee China Sinogy Electric Engineering Co., Ltd. plans to complete its M&A exercise as a listed company in 2016. Investee Qingdao iTechene Technologies Co., Ltd. completed shareholding reform on 15 November 2015 and will actively pursue opportunities for public listing in 2016.

Mergers and Acquisitions Fund

The trend of Chinese enterprises "going global" and internationalization of Renminbi became a hot topics in 2015. With a massive domestic market, China will be able to significantly enhance the value of its the country's individual enterprises and industries by connecting them with global resources through overseas M&As, followed by effective integration and restructuring.

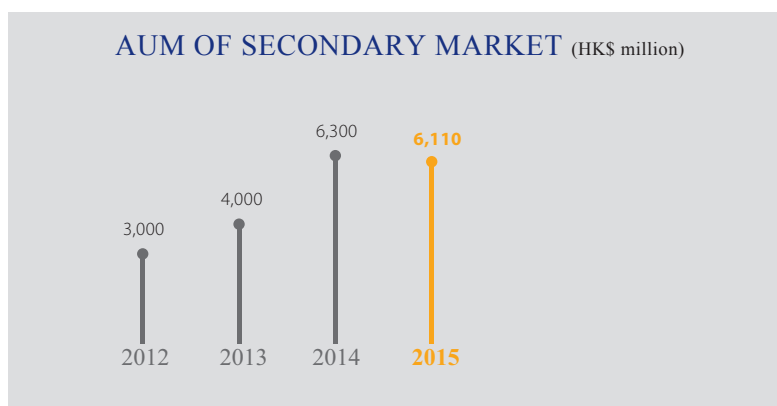
Israel offers excellent investment environment, and the Jewish is highly regarded by the international community for having a world-leading culture of innovation, making it an attractive partner. During the reporting period, CEL's first overseas M&A fund, CEL Catalyst China Israel Fund ("China Israel Fund"), helped the investee company Lamina optimise its sales strategies and conduct an intensive search for potential partners in the Chinese market. At the same time, the China Israel Fund built up a robust and quality investment pipeline after analysing a number of potential investment opportunities in the Israeli market in industries such as 3D printing, wireless Internet, communications and agriculture. As at the end of December 2015, China Israel Fund has received a total subscription of approximately US\$200 million.

Meanwhile, the Group has started preparing for the launch of a larger global cross-border private equity fund. This new fund is expected to target enterprises with unique assets or technological edges in global market that are not already covered by the China Israel Fund. In March 2015, the investment team completed the buyout of Burke E. Porter Machinery Company (BEP), a major developer of testing systems; and supported BEP to complete three bolt-on acquisitions. Through these acquisitions, BEP was able to expand and diversify its product offerings and business mix, building a stronger global presence and service capabilities in balancing systems and powertrain systems that could generate significant improvement in scale and profitability. In November 2015 the investment team completed its second buyout with a controlling interest in Lapmaster, with the aim to develop the platform into a world-leading high precision surface finishing equipment and solution provider.

Secondary Market

Following years of development, CEL's Secondary Market platform has become increasingly mature. By combining the original two sectors, Asset Management and Absolute Return, the Secondary Market platform now covers three segments: Equity Funds, Fixed Income Funds, and PIPE and New OTC BB Market Fund.

As at 31 December 2015, the three teams in Secondary Market managed a total of 15 funds with total AUM of HK\$6.11 billion, down 3.0% from the same period last year. Currently, HK\$3.4 billion in funds raised by Everbright Prestige Capital Asset Management are managed by the Secondary Market asset management team as a sub-advisor. During the reporting period, the Secondary Market posted a pre-tax profit of HK\$120 million, up 140% compared with the same period last year. Income from asset management and performance fees was HK\$40 million.



1. Equity Funds

In 2015 the A-share market went on a wild roller-coaster ride. From early 2015, bullish market sentiment and hectic trading drove the A-share index sky-high until mid-June, when it quickly retreated and then fluctuated wildly under the pressure of de-leveraging initiated by the regulatory authorities.

In the face of such complicated market conditions, CEL's Equity Funds performed well overall. Everbright China Focus Fund adopted an active asset allocation and management approach during the bull market and harvested good returns. At a time of high market volatility, it exercised rigorous risk management by adopting sound operational measures in a timely manner to effectively ease the impact of market fluctuations on investment returns. In 2015 the fund recorded a net absolute return after expenses of 46.9%, far outperforming the 5.58% gain recorded by the Shanghai Shenzhen CSI 300 Index for A-shares over the same period. Everbright China Focus Fund was recognized and ranked No. 1 in both Emerging Markets – Asia and Emerging Markets – Asia Equities categories by BarclayHedge database in February of 2016.

CEL's Equity Funds, including China Focus Fund, Everbright Global Event Arbitrage Fund and Everbright Dynamic Alpha Fund, manages a total AUM of approximately HK\$4.3 billion. In 2016 the asset management team will make timely adjustments to its fund investment and fundraising strategies in response to market changes, while focusing on improving the performance of the funds and creating star products.

2. Fixed Income Funds

In the second half of 2015, the stock market's volatility highlighted the importance of fixed income assets in providing a stable source of asset returns for investors. CEL's fixed income team seized this opportunity to continue optimising its product line.

In October 2015, Everbright Dynamic Bond Fund completed its three-year product term and recorded an exceptional gross return after expenses of 18.4%–19.7% for preferred shares and a 45.9%–47.5% return for subordinate shares. The asset management team restructured this star product in late October and re-launched it to investors, yielding impressive fundraising results. As at the end of 2015, the fund had a total AUM of US\$110 million, up 220%, in comparison to AUM site before re-opening.



During the reporting period, the fixed income team also achieved a satisfactory close for its Greater China Bond Investment Portfolio Trust Fund Launched in November 2012, the fund reaped solid results after three years of effort, generating a 16.2% gross return after expenses for preferred shares and a 60.3% return for inferior ones. This excellent performance helped the fixed income team to expand its base of large commercial bank customers and establish a good reputation to facilitate future growth.

In 2016 the fixed income team will focus on setting up actively managed funds and large managed accounts, maintaining and expanding its current client base (including domestic and overseas commercial banks, high net worth customers and FoF Fund) and keeping good investment returns and actively conducting research into the feasibility of developing major new products and channels.

3. PIPE and New Third Board Market Business

PIPE (Private Investment in Public Equity, referring to listed company-related alternative equity investments conducted in private markets) and New Third Board Market Business represents a new business segment launched by the Group in 2015.

CEL successfully raised RMB210 million by May 2015 for its New Third Board Fund. Focusing on emerging industries, the Fund targets quality enterprises that are listed or planning to be listed on the New Third Board market. Through investing through private placement, share transfers and market making, CEL can become an influential shareholder and then exit by means of market making/competitive price transaction, M&A and transfer of listing to achieve excellent returns.

During the reporting period, CEL's New Third Board Market Funds completed investments in Shanghai Hequan Pharmaceutical Co., Ltd., and Qingdao New Energy Solutions Inc. The team will remain focused on high-growth enterprises in strategic emerging industries and modern service sectors.

In 2016 the PIPE and New Third Board Market investment team will continue its cross-market operations in line with CEL's strategy of optimising foreign currency asset allocations, while exploring investment opportunities in offshore Hong Kong stocks/China concept stocks and onshore A-share/New Third Board markets.

Mezzanine Funds

As one of China's first investment managers dedicated to mezzanine investment, CEL's RMB Mezzanine Fund team differentiates itself with its proactive portfolio management capabilities, aiming at generating superior PE-type return under a manageable level of risk. CEL's RMB Mezzanine Fund mainly targets at established companies with superior operational capabilities and solid growth potential in the Greater China region, as well as cross-border investment opportunities with China angle. The Fund prides to be the total financial solution provider to the portfolio companies. By taking into consideration of the industry development and the investees, CEL's RMB Mezzanine Fund provides tailor-made financial solutions to the investee with a strong emphasis on mezzanine investments instruments, and a lesser extent on pure equity or pure debt instruments.

In June 2015 CEL's RMB Mezzanine Fund partnered with AVIC, AVIC Capital and COFCO Trust to invest in AVIC Precision Casting Science and Technology Co., Ltd ("AVIC Precision Casting"). CEL's RMB Mezzanine Fund set up a SPV fund with two institutional limited partners to invest into AVIC Precision Casting, and own 20.7% of its share capital. As the lead investor, CEL's RMB Mezzanine Fund strives to play an active role in improving the company's corporate governance and management systems. The SOE restructuring via introducing external investors and restructuring the business into a mixed-ownership model is a rising trend supported by the Chinese government. This investment demonstrates the capabilities of CEL's RMB Mezzanine Fund capturing the rare opportunity and playing a critical role in the restructuring of core state-owned asset.

As at 31 December 2015, CEL's RMB Mezzanine Fund has been fully committed. Total investment amount reached RMB800 million (including the committed amount). The fund has generated a profit of HK\$14.27 million for the year, down 53% compared with the same period last year. With the growing demand for cross-border investment and financing, as well as structured investment opportunities arising from China's rationalizing economic growth, the team has built a strong pipeline of potential investment projects. Meanwhile, it has officially kick-started preparing the launch of its Fund II, with a target size of RMB1.5 billion.

Everbright Prestige

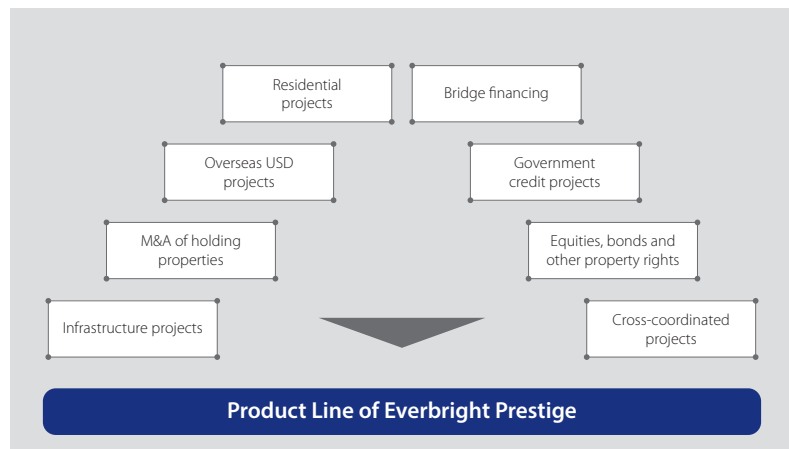
Following an additional capital injection by CEL in March 2014, Everbright Prestige Capital Asset Management Company ("Everbright Prestige") has witnessed the evolution of a highly synergistic business model driven by its two major shareholders, China Post Fund and CEL. As Everbright Prestige's largest shareholder, China Post Fund provides support in macro and industry investment strategies and enriches the variety of Everbright Prestige's secondary market product lines. At the same time, the breadth and depth of experience that CEL, which holds a 35% stake in Everbright Prestige, has gained over the years in private equity investment provides Everbright Prestige with significant management expertise and enhances its platform value.

In January 2015 Everbright Prestige was granted provisional qualification as a Qualified Domestic Investment Enterprise (QDIE) by the Shenzhen Municipal Government's Financial Development Services Office to further expand the business scope of its cross-border investments. As such, the QDIE qualification also creates more optimal conditions for CEL to capitalise on the opportunities arising from two-way capital flows of China market. In the second half of 2015, Everbright Prestige established the "Wealth Management Centre" the major responsibilities of which are connecting fund channels, providing customer management services and conducting product marketing research. By the end of 2015, the Wealth Management Centre had matched 16 products with customers, raising approximately RMB1.5 billion on its own. Everbright Prestige is gradually becoming CEL's hub for domestic financing and overseas asset management.

In January 2016 the Asset Management Association of China announced its rankings of asset management companies based on their value of separately managed accounts (SMA) as at the end of 2015. The value of SMA at Everbright Prestige totalled RMB54.2 billion, up 36.87% year on year. Unlike many of its peers, the beauty of Everbright Prestige is that while expanding the scope of its channel projects, it mainly focuses on actively managing a great portion of its projects. This unique capability enables Everbright Prestige to seamlessly link its diversified primary and secondary market product lines and provide tailored solutions to meet the increasing demand of customers as a one-stop financial service provider. During the reporting period, CEL's share of Everbright Prestige's profit was HK\$30 million based on the equity accounting method.

Multi-strategy Alternative Investment Fund (FoF Fund)

In December 2015 Everbright co-invested RMB1.25 billion with external investors in establishing its first multi-strategy alternative investment fund ("FoF Fund"). The committed scale for the initial phase of the fund was RMB5 billion. As CEL's first multi-strategy alternative investment fund, FoF Fund can help diversify institutional investors' portfolios and alleviate the impact of market volatilities. FoF Fund focuses on promising enterprises or projects that have yet to be listed, with investment targets including private equity, venture capital and real estate.



CEL has comparatively mature experience in primary market investment, and its product lines cover various industry sectors at different stages of a corporation's life cycle. Through more than 10 years of investment, CEL has nurtured a large number of enterprises that became the industry benchmark, while providing stable returns in a volatile market. FoF Fund focusing invests in CEL's primary market funds and leading private equity funds across a number of industries that maintain good working relationships with CEL and are well regarded for having solid market reputations and proven track records. The establishment of FoF Fund can facilitate the rapid growth of CEL's distribution and financing teams. In addition, it can help CEL's institutional sales team deepen its understanding of the overall demands of investors, adopt a unified marketing strategy and promote the sharing of customer resources.

Building on the FoF Fund, CEL will step up its fundraising efforts directed at large institutional investors in mainland China and provide one-stop financial services that offer both liquidity and potential returns for major institutional funds. It will also help rebalance the proportion of CELs' seed capital in various funds, and create synergy with the internal resources across China Everbright Group.

Principal Investment

CEL is committed to cross-border fund management. While devoting efforts to external fundraising, CEL also optimise the use of its own capital through various investment methods, using equity, bonds and derivatives to support its fund management business. The philosophies of CEL's principal investment business are:

1. CEL's own capital is used to support investment teams at the growth stage and to incubate quality private equity funds. CEL invests well-proportioned seed capital in funds at the initial and growth stages (e.g. early-stage Private Equity Fund, Medical and Healthcare Fund, and M&A Fund), providing the opportunity to grow with the investment teams by leveraging CEL's strong platform, market position, influence and forward-looking investment strategy. A number of investment teams have become more established, demonstrating strong influences in different industries.
2. Create positive synergies between its principal investment and fund management businesses, directly investing or co-investing in projects with a competitive edge in their sector. Leveraging its abundant resources in quality projects across a wide range of sectors, CEL has completed a series of investments using its own capital, including a co-investment in Jiangsu Yuyue Medical Equipment & Supply Co., Ltd with Sequoia Capital and Highlight Capital (managed by the Medical and Healthcare Fund management team), an investment in the Singapore-listed Chinese real estate developer Ying Li International Real Estate Limited (managed by the Real Estate Fund management team), the acquisition of the majority of shares in a US automotive testing systems company, Burke E. Porter (BEP) (managed by the M&A Fund management team), and an investment in Focus Media Holding Limited (managed by the Mezzanine Funds management team).
3. Through reasonable equity investments, invest in financial institutions that have the potential for long-term development. This provides CEL with good return on investment as well as synergies with its fund management business. CEL also seeks to consolidate and improve its operational capabilities so as to raise its overall income level. China Aircraft Leasing Group Holdings Limited (CALC), in which CEL has a 35.6% stake, is an important example of this philosophy.
4. Enhance its capital efficiency and improve cash flows through a treasury or wealth management model.

PIPE fund, which is under incubating by secondary market of the Group, is one of the examples. During the reporting period, CEL's PIPE investment team successively participated in the private placement of Shanghai Oriental Pearl Media Co., Ltd. (600637.SH), China Traditional Chinese Medicine Co. Limited. (570.HK) and GEM Co., Ltd. (002340.SZ). It also exited Wanda Commercial Properties (3699.HK), an investment initiated in 2014. As at 31 December 2015, PIPE inventory projects had a total AUM of

HK\$1.30 billion (based on year-end market prices), registering an annual cumulative unrealised return of HK\$140 million, an annualised return of 20%.

During the reporting period, the revenue of Principal Investment amounted to HK\$880 million, up by 33%; This business segment achieved a pre-tax profit of HK\$300 million, representing an decrease of 35% over the same period last year; interest income amounted to HK\$520 million, up 57.6% compared with the same period last year; dividend income increased substantially to HK\$390 million; by disposal of financial assets, the Group realised capital gain of HK\$250 million, decreased by 7.4%; and the Group recorded an unrealised loss of HK\$390 million due to market volatilities and policy restrictions on project exit channels. CEL's share of CALC's after-tax profit amounted to HK\$140 million.

POST INVESTMENT PROJECT (LISTED)

Port of QingDao
(6198.HK)



Yuyue Medical Equipment
(002223.SZ)

yuwell

BesTV
(600637.SH)

BesTV 百视通

Focus Media
(002027.SZ)

Focus Media 分众传媒

Income of Principal Investment (By nature of income) (in HK\$100 million)	2015	2014	Change
Commission income and service fees	0.3	0.6	-50%
Interest income	5.2	3.3	57.6%
Dividend income	3.9	1.1	254.5%
Other Net Income (realised gain)	2.5	2.7	-7.4%
Other Net Income (unrealised loss)	(3.9)	(1.5)	160%
Share of CALC's after-tax profit	1.4	1.2	16.7%

Aircraft Leasing

CALC in which CEL has a 35.6% stake, delivered 19 aircraft in 2015, bringing its fleet size to 63 aircraft. During the reporting period, and based on equity accounting, CEL's share of CALC's after-tax profit amounted to HK\$140 million, representing an increase of 16.7% compared to the same period last year.

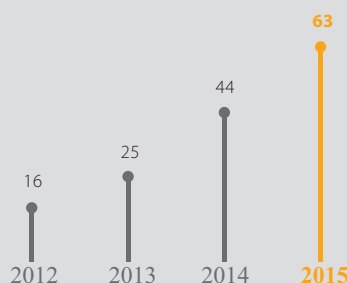
As the largest independent aircraft leasing company in China listed in Hong Kong CALC was included in the Hang Seng Global Composite Index and became a constituent stock of the Hang Seng Composite MidCap Index and the Hang Seng Composite SmallCap Index during the reporting period. During the same period, CALC was named "Aircraft Lessor of the Year" by Global Transport Finance (GTF), demonstrating its leading position in the industry.

CALC is now actively implementing two strategies:

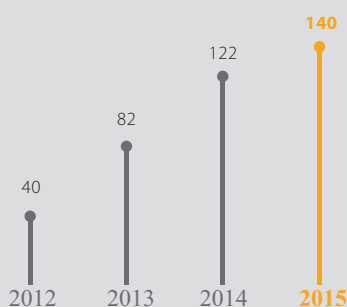
1. Providing a full value-chain aircraft solution, the company is involved in the entire aircraft life cycle chain, covering the purchase of new aircraft, structured financing, leasing negotiations, leased asset management, fleet replacement, leaseback of old aircraft, aircraft disassembly and other value-added services. To facilitate this, CALC commenced construction work on an aircraft disassembly project in Harbin during the reporting period. Occupying a 300,000m² site, the project

will provide aircraft disassembly, sales of spare parts, plane crash rescue, airframe customisation, aviation metal and non-metallic materials recycling, and many other services. It will also enable CALC to further expand into new revenue sources, optimise the surplus value of aging aircraft and strengthen relations with airline customers.

NUMBER OF AIRCRAFT



SHARE OF PROFITS OF CALC (HK\$ million)



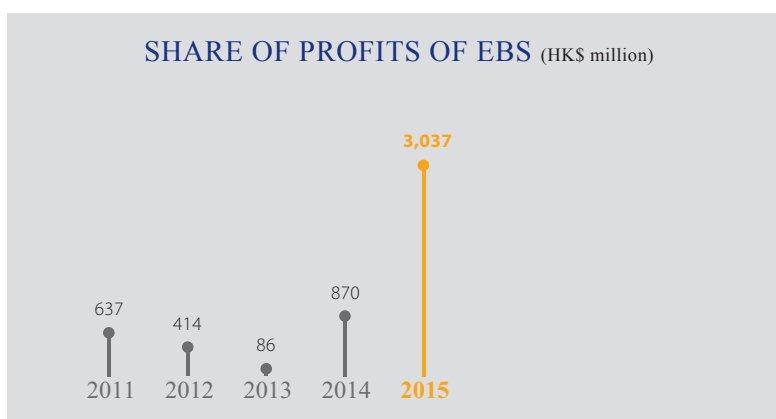
2. Implementing a globalisation strategy. The company plans to speed up its expansion into Asian, European and other markets to gradually achieve a balanced ratio of airline lessees in the Mainland and overseas. During the reporting period, CALC's globalisation strategy was launched in full. The company continued to enter into agreements with new clients such as Air Macau, Pegasus Airlines (Turkey) and Jetstar Pacific Airlines (Vietnam), following an agreement with Air India. It also obtained a financing guarantee from the UK's Export Credits Guarantee Department (European Export Credit Agency) for three aircrafts, and further expanded its international financing channels after securing financing from Bank of Korea for the first time.

Strategic Investment Everbright Securities

The securities market in mainland China was highly volatile in 2015. Faced with this challenge, Everbright Securities – in which CEL has a 29.16% stake – placed special emphasis on improving risk management and strengthening internal controls and building systems with a compliant, sound and stable operation. Revenues of various businesses increased substantially in 2015 compared to the same period last year. Based on equity accounting as per Everbright Securities' financial statements, CEL's share of Everbright Securities' profit was HK\$3.04 billion in 2015, up 2.5 times over the same period last year. According to the Hong Kong Accounting Standards, by the end of 2015, the book value of CEL's share of Everbright Securities' was HK\$14.2 billion.

Everbright Securities was upgraded from Grade C Class C to Grade A Class A according to the "2015 Results of Classification of Securities" issued by the CSRC on 17 July 2015. The upgrade reflects the regulatory authority's recognition of Everbright Securities' compliance management and risk control. On 3 September 2015 Everbright Securities raised approximately RMB8 billion via a private placement (at RMB16.37/share) subscribed by seven investors, including Ping An-UOB Fund Management Company Limited, Caitong Fund Management Co., Ltd. and New China Fund Management Co., Ltd. CEL's equity interest in Everbright Securities was diluted from 33.33% to 29.16%, and recorded a net gain on deemed disposal of interest in associated of HK\$1.32 billion.

EBS International, owned 51% and 49% by Everbright Securities and CEL respectively, performed well during the year. CEL's share of EBS International's profit was HK\$40 million based on equity accounting.



Everbright Bank

As at 31 December 2015, CEL holds 1.57 billion shares of China Everbright Bank Company Limited ("China Everbright Bank"), accounting for about 3.37% of China Everbright Bank's A shares. CEL received an after-tax dividend income of HK\$330 million during the reporting period, up 3.1% from the same period in 2014. According to the Hong Kong Accounting Standards, the fair value of China Everbright Bank held by CEL was HK\$8 billion as at the end of 2015.

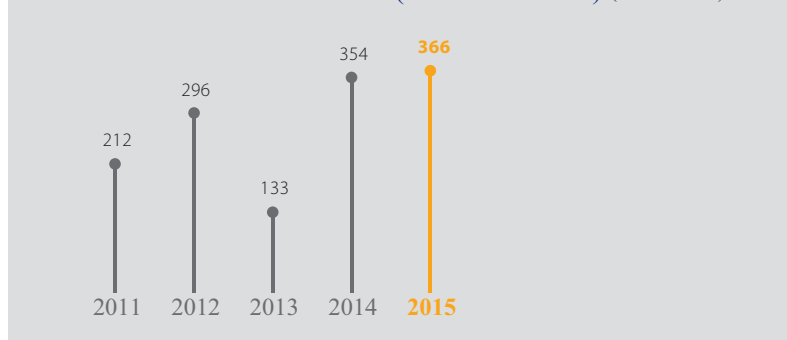
Prospects

Outlook on the External Environment

Looking ahead to 2016, unemployment in the US is expected to see further improvement, with higher inflation on the horizon and the economy getting back on a growth track. The Eurozone is expected to see only moderate recovery on continued accommodative monetary policy, but geopolitical risks may still have a significant impact on the Euro. In Japan, growth remains sluggish and the current inflation rate is far below the target level, and therefore, there will be little alternative but to maintain or even strengthen the quantitative easing monetary policy.

From the macroeconomic perspective, although China will be a major driving force of global economic growth, the Chinese government will continue to promote economic restructuring and the downward pressure may increase further. It is expected that active fiscal policies to remain in force in 2016, and the change from business tax to value-added tax, local government debt replacement and special-purpose financial bonds may well become major drivers of steady growth.

DIVIDEND FROM CEB (BEFORE TAX) (HK\$ million)



With the continued implementation of exchange rate reforms for the RMB, the Chinese currency's two-way fluctuations are set to increase. As a result, Mainland investors will see growing demand for diversifying currency risks, outbound investment and other cross-border asset management services. As such, 2016 will witness a rising trend of Chinese enterprises and capital "going global".

Meanwhile, guided by policy initiatives such as RMB internationalisation and "One Belt, One Road", capital account liberalisation will likely become the future direction. China's regulatory authorities proactively put in place a number of initiatives to facilitate cross-border investments and fund flows, including Shanghai-Hong Kong Stock Connect, Mainland-Hong Kong Mutual Recognition of Funds, RQDII, RQFII, QDLP, Shanghai Free Trade Zone and Qianhai, and is set to implement more programmes, such as Shenzhen-Hong Kong Stock Connect and QDII2, to further support cross-border investments.

However, against a background of economic uncertainties, there is a chance when the regulatory authorities choose to exercise control over fund flows under capital accounts, which will temporarily and sporadically affect cross-border investment business. CEL will actively respond when it takes place.

Our Strategy

Judging by the external environment, we believe that 2016 will be a year of challenges. However, as the trend of RMB internationalisation and Chinese capital "going global" is expected to remain unchanged, CEL, with its commitment to cross-border asset management, will see more opportunities. In light of its own development conditions, we will concentrate on resource allocations mainly along the following ways in 2016:

1. Capturing investment opportunities from the "going global" trend and maintaining good post-investment management: After years of investment, CEL now has a number of quality overseas post-investment management projects, with a first-mover advantage that enables it to capitalise on opportunities from the "going global" trend. In 2016 CEL will provide value-added post-investment services for its overseas assets and projects, and accelerate to set up a global M&A fund.
2. Further expanding fundraising and development channels in mainland China. Given the increasing two-way fluctuations of the RMB exchange rates, demand for cross-border asset allocations among institutional investors and HNWIs in the Mainland will grow. The FoF Fund model

launched in 2015 reflects CEL's ability to provide tailored solutions for its clients as a one-stop financial service provider. Meanwhile, CEL will seek cooperative opportunities to cooperate with sister companies in China Everbright Group, while expediting work on improving the sales team in mainland China and further strengthening its fundraising capability.

3. Disposing of mature investment projects according to the guidance of regulatory authorities: According to Several Provisions on Shareholding Reduction by Major Shareholders, Directors, Supervisors and Senior Management of Listed Companies, issued by the CSRC in January 2016, CEL will, in strict accordance with the relevant guidance, reinstate the procedures for exiting a number of investment projects in order to divest from some of its matured projects in a lawful, transparent and orderly manner.

In conclusion, in 2016, Mainland China will remain the key market for CEL in its quest for funds and partners. Riding on the growing demand among major institutions in mainland China for larger allocations of quality USD assets in overseas markets, CEL will further expand its product line to target overseas assets and as a result enrich its product portfolio. This will help create a cross-border investment and asset management platform underlined by leading core competencies, one that is capable of generating strong growth, high returns and steady incomes.

Financial Position

As at 31 December 2015, the Group's total assets amounted to HK\$65.3 billion with net assets amounting to HK\$42.9 billion. Net asset value per share attributable to equity shareholders of the Group was HK\$23.4 per share, representing an increase of 13% as compared to HK\$20.7 per share as at the end of 2014. As at 31 December 2015, The Group's gearing ratio (interest-bearing debt divided by total equity) increased to 33.8% compared with 25.2% as at 30 June 2015.

Financial Resources

The Group adopts a prudent approach to cash and financial management to ensure proper risk control and low cost funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 31 December 2015, the Group had cash and bank balances of HK\$4.7 billion, representing an increase of HK\$0.2 billion as compared to HK\$4.5 billion at the end of 2014. Currently, most of the Group's cash, representing 90%, is denominated in Hong Kong dollars and Renminbi.

Borrowing

The Group is dedicated to improving banking facilities to reserve capital to support its business development. As at 31 December 2015, the Group had outstanding borrowings of HK\$13.45 billion, representing an increase

of HK\$4.9 billion as compared to HK\$8.6 billion at the end of 2014. The borrowings as at 31 December 2015 included secured interest-bearing borrowings of HK\$40 million and unsecured interest-bearing borrowings of HK\$13.41 billion. The borrowings are mainly denominated in Renminbi, representing about 19% of the total, and the remaining is denominated in US and Hong Kong dollars. Most of the borrowings are at floating rates. As at 31 December 2015, the Group had banking facilities of HK\$17 billion, of which HK\$3.55 billion have not been utilised. The banking facilities are of 1 to 5 years terms.

Pledge of Assets

As at 31 December 2015, no fixed deposits was pledged to secure banking facilities.

Pursuant to the prime brokerage agreements entered with the prime brokers of a fund held by the Group, cash and securities deposited with the prime brokers are secured against liabilities to the prime brokers. As at 31 December 2015, assets deposited with the prime brokers include HK\$0.64 billion and HK\$0.28 billion which form part of the Group trading securities and debtors respectively.

Contingent Liabilities

As at 31 December 2015, the Company issued financial guarantees to 2 subsidiaries. The Board does not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 31 December 2015 for the provision of the guarantees related to the facilities drawn down by the subsidiaries was HK\$2,550 million.

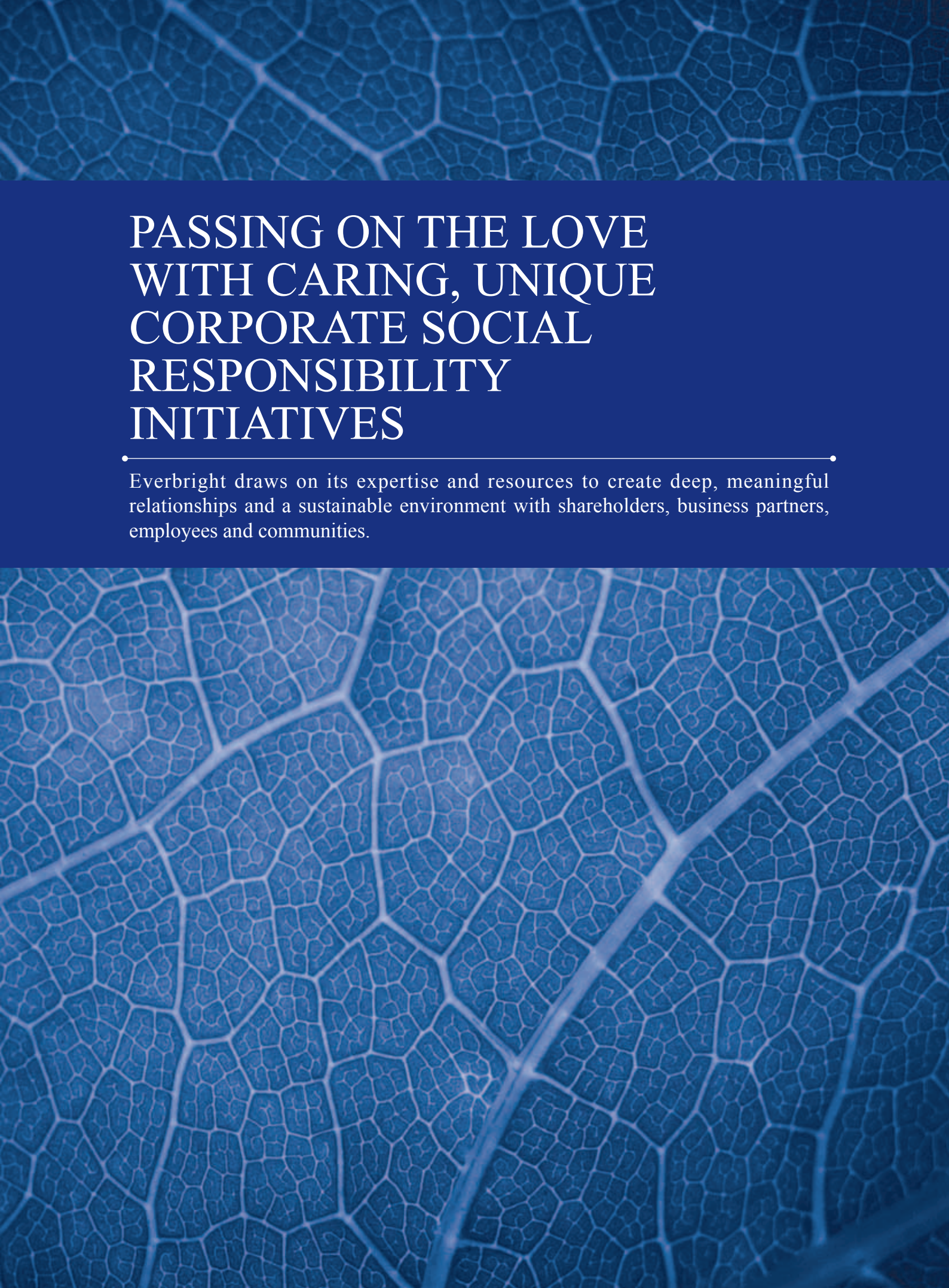
Employees

As at 31 December 2015, the Group had 279 employees. Total staff costs for the period under review amounted to approximately HK\$362 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.

By order of the Board
China Everbright Limited
Chen Shuang

Executive Director and Chief Executive Officer

Hong Kong, 23 March 2016



PASSING ON THE LOVE WITH CARING, UNIQUE CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Everbright draws on its expertise and resources to create deep, meaningful relationships and a sustainable environment with shareholders, business partners, employees and communities.

CORPORATE SOCIAL RESPONSIBILITY REPORT

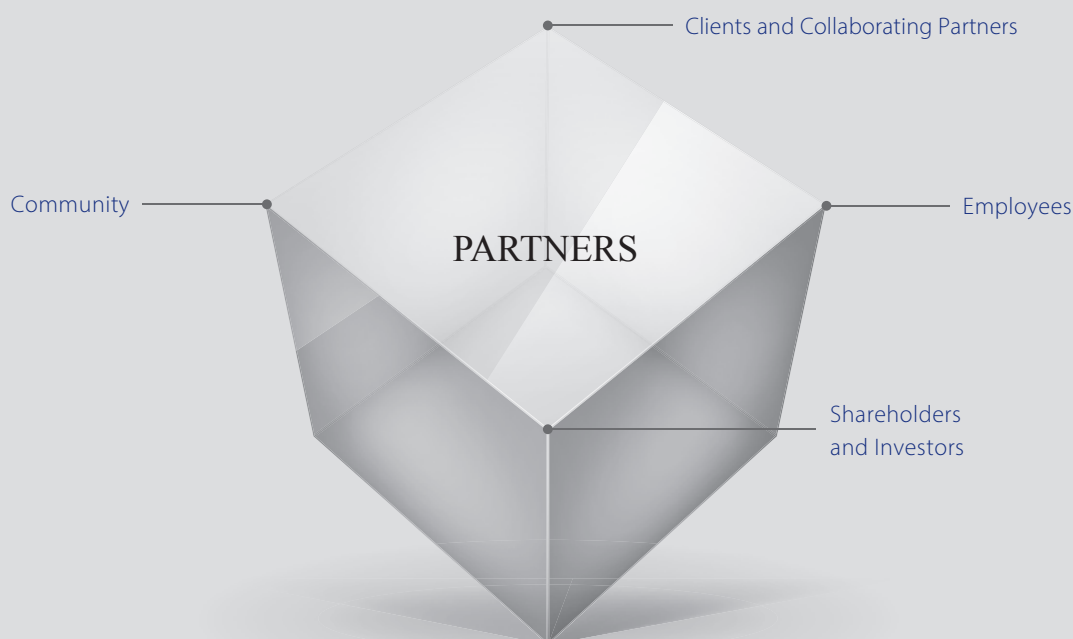


Founded in 1997, based in Hong Kong and operating in close partnership with mainland China, CEL has ridden years of continued growth to become a leading cross-border investment and asset management platform among Chinese-funded companies. Despite considerable volatility in the international and domestic financial markets in recent years, CEL has capitalised on a solid foundation and visionary strategies to maintain stable operation and achieve strong growth in AUM, expanding its reach overseas beyond Hong Kong and the Mainland. During this time the Group has driven maximum benefits and forged long-term relationships based on mutual trust with various stakeholders, including shareholders, investors, clients, business partners and employees. CEL is also committed to rebating the society leveraging its corporate strengths. The Group established the China Everbright Charitable Foundation in 2008, which has supported a number of charity initiatives since the global financial crisis.

These efforts have been recognised by the Hong Kong Council of Social Service, which has presented the Foundation and the Group with “Caring Company” and “Caring Organisation” awards for five consecutive years for achievements in corporate social responsibility.



LONG-TERM TRUSTING PARTNERSHIP WITH FOUR GROUPS OF STAKEHOLDERS



Clients and Business Partners

CEL's cross-border macro asset management platform connects the thriving mainland China and Hong Kong markets, both of which possess huge potential. In recent years the Group has also actively sought overseas investment and cooperation opportunities. In order to ensure confidence among fund investors and business partners, the Group employs a proven mechanism in risk management, protecting mutual capital and benefits, and personnel retention. CEL seeks to establish a long term and trusting relationship with clients and partners.

Before seeking external funding, the Group invests a certain amount of seed capital in each fund to demonstrate its confidence and commitment. During this capital commitment period, investment teams are required to invest a certain amount of the Group's proprietary funding as risk capital, ensuring the same level of interest from both the fund management teams and investors. An independent investment assessment committee (or similar entity) is also established for each fund to maintain sound operations and protect the interests of external investors. When funds are investing in or exiting from specific projects, the interest stake held by the fund management team is also in line with the holdings of other investors. This ensures that the fund management teams exercise a prudent, pragmatic approach underscored by proper risk awareness when making investment decisions.



In the last decade, the financial sector was heavily impacted by market turbulence from the global financial crisis. The collapse of large financial institutions led to a review of fundamental thinking about the equilibrium between rapid business expansion and risk control. By leveraging its sound corporate governance and risk management system (please refer to the Corporate Governance and Risk Management Reports for details), the Group has managed to achieve fast yet steady growth in a notably bearish investment environment, while capturing opportunities by expanding its business horizons as markets recovered. In order to enhance communications and interactions with fund investors and business partners, the Group held its

first Everbright Investment Conference in 2012, which received positive feedback from attendees as well as CEL's various business units. The conference has been held every year since then, attracted more than 1,300 attendees totally including institutional investors and business partners from around the world. Attendees learn about the latest developments in CEL's macro asset management platform, the Group's strategies and prospects, its fund operations, and its business developments and advantages. They also take advantage of the opportunity to explore synergistic collaborations across sectors and areas. Since the 2014 edition, CEL has also invited key journalists from Hong Kong and the Mainland, enabling the wider business and financial community to learn the latest news about the Group through leading media outlets. CEL held its 2015 investment conference in Chongqing, where in addition to panel discussions and talks, attendees could also visit with a Chongqing-based property study group to learn about the Group's high-end properties in Chongqing as well as its developments and competitive edge in the real estate sector.

Shareholders and Investors

To enhance corporate transparency, the Group places significant emphasis on maintaining strong communication channels and close contact with shareholders and investors. In 2015, the Group participated in more than 25 investor forums and roadshows organised or undertaken by leading financial institutions and received over 80 delegations. In addition, the Group held meetings with nearly 400 institutional investors and analysts from across the globe. Highlights of these meetings are available on the "Investor Relations" section of the Group's website. In 2015, 6 well-known financial institutions generated 25 analyst reports on the Group. During the year the Group also undertook a number of reviews of its shareholding structure by examining shareholding volume and changes, helping it conduct investor relations more efficiently. The Group also aggregated investor relations reports for the Board's review on regular basis. These included external communications, investor feedback and changes in share price. CEL's shareholding pattern allows the Board to better understand the investment community's views and suggestions regarding CEL's development strategies.



For the ease and convenience of investors and shareholders, CEL has continuously optimised and upgraded its website (www.everbright165.com) since 2013. In addition to giving the site a clear, compelling design and layout, the Group also enriches the content of the "Investor Relations" section by providing practical tools such as interactive financial data and stock charts. Regarding disclosure of information, visitors can keep abreast of the latest developments at CEL by subscribing to receive alerts to new announcements, circulars and press releases. In 2014, the Group upgraded its website's back-end configuration, strengthening its login function for funds to allow closer communication and information-sharing between fund management teams, clients and investors. In view of the growing popularity of mobile communication apps, CEL launched its WeChat public account in 2015 (WeChat ID: chinaeverbright) in 2015, providing another convenient, diversified information channel for stakeholders and the public.

In addition, the Group's management communicates directly with shareholders at the annual general meeting. The Group also holds press conferences and analyst briefings twice a year, after its interim and annual results are published. These presentations are recorded and made available as webcasts on CEL's website for viewing at any time by the public.

Employees

CEL sees its employees as partners and considers them its most important asset. The Group recruits top-notch talents from the financial sector and builds its distinguished management team on the principle “Create Value to Share Value”. Employees are able to share the fruits of the Group’s success, creating economic value and enhancing work efficiency.



In terms of strengthening individual competencies, CEL provides a comprehensive package for its employees’ career development. This includes study allowances, paid study leave, and regular training programmes to boost skill sets and team spirit. In 2015, the Group organised 15 internal training sessions for staff, covering business ethnics, taxation, risks, macroeconomic trends, soft skills and other topics.

The Group also arranges exchange visits for staff every year so that employees in Hong Kong and the Mainland have a chance to enrich their experiences and exchange views. In 2013, for example, CEL held an Outward Bound event in Qingdao for middle and senior management. China-based employees are provided training exchanges opportunities in Hong Kong. In 2014 and 2015, the Group held exchange visits and training activities in Shanghai and Qingdao for employees from Hong Kong to boost their knowledge of Mainland businesses, and to enhance communication and cooperation between teams. In line with its growing overseas activities, the Group organised an overseas M&A exchange visit in Chicago for management and M&A-related employees in 2015. In addition, the Group held an “Investment Salon” where internal specialists were invited to give speeches on financial investment and help colleagues better understand the scope of investments in different industries.

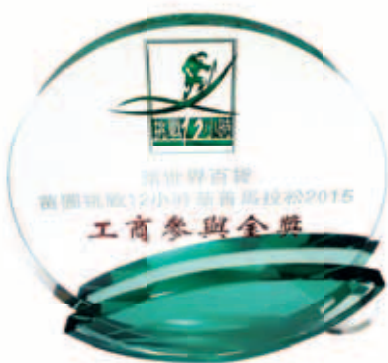


New staff members receive a clear overview of the Group through regular training sessions on human resources, brand culture and risk management systems. The Group also arranges meetings to facilitate conversation between senior management and new staff, which not only enables better understanding of employees and their views, but also enhances contact and interaction. In addition, the Group organises an annual gathering of employees and their families to promote work-life balance.



CEL places appreciable emphasis on maintaining productive information exchange and interaction with its employees via various formats. The Group uses an internal email system, "Partner Express", as the vehicle for publishing company news and real-time information. Institutional investors and media receive relevant content in the form of presentations and press releases. The "Partner", CEL's bimonthly electronic periodical, integrates key business information, branding development and scenes of employee life together in one handy publication, which is disseminated via online media to keep colleagues in the Mainland and Hong Kong in close contact. The Group also publishes hard copies of the "Partner" by consolidating all the experiences of the past year into a single book, which accommodate the varied reading habits of employees. In order to offer more convenience for employees and improve work efficiency, CEL is also developing an online collaborative Office Automation Platform with comprehensive functions and mobile apps. It is the Group's wish that this platform will allow employees to access company information and conduct administrative work from anywhere, whether they are in or out of the office.

In 2012, CEL set up a volunteer team that gives staff the chance to contribute to society by participating in charitable initiatives. This programme also serves to further enhance camaraderie among employees. Over the past few years, CEL's volunteer team has visited a nursing home, a special child care centre and a shelter workshop, and it also participated in the Everbright Project. These activities were well received and supported by colleagues.



CEL management and employees have entered teams in the "Sowers Action Challenging – Charity Hiking" for three consecutive years. In 2015, the Group won the "Gold Award in Corporate Participation" thanks to its employees' enthusiastic participation. CEL will continue to organise regular volunteer activities so that it can continue to grow in its service to the community.

To promote the health and wellness of its staff, the Group also organises a variety of sports activities to help employees achieve better work-life balance.



The overall effect of these staff initiatives – including timely information-sharing, diverse company activities, staff welfare programmes and incentives – is to help build a closer partnership with employees. These efforts have also resulted in meaningful contributions to the Group's business success in terms of establishing its own fund teams, and retaining and recruiting the best talent.

In 2015, the Hong Kong Productivity Council and the Promoting Happiness Index Foundation jointly awarded a "Happy Company" label to CEL in recognition of its commitment to building a caring corporate culture and respecting staff quality of life. This was evidenced by the Group's conscientious efforts to create a pleasant working environment for employees. Moreover, Sing Tao News Corporation's Job Market also conferred "the Employer of Choice Award 2015" on CEL in recognition of the Group's excellent talent recruitment strategies and schemes, and its outstanding performance in human resources.



Community

As a CSR-committed company, CEL is a strong supporter of disaster and poverty relief. The Group also contributes long-term support to many social service projects, most of which are unique, sustainable in nature, and benefit those who are often overlooked in society and given limited resources and support. For example, in 2009, before many of the social problems faced by the middle class emerged, CEL sponsored the Caritas Family Crises Support Centre and jointly launched "The Everbright Project" to provide community services specifically targeting Hong Kong's middle class. The Group then lent its full support to Social Workers Across Borders in 2012-2014, and it established "Project Companion – Professional Social Workers in Greater China Scheme" ("Project Companion") with the aim of training professional social workers and providing post-disaster counselling in the Mainland. CEL has sponsored the Hong Kong Federation of Education Workers since 2013, and it also launched the "Everbright Teachers' Heritage Discovery Tour", a programme providing Hong Kong educators with the opportunity to visit various cities in Jiangsu Province. After the visit, teachers talked to students about what they saw and heard during their travels, enriching the students' National Education curriculum and deepening their love for their country. The middle class, social workers and teachers share a common trait: They are all individuals who work hard and make huge contributions to society, yet they are often overlooked. The Group hopes to introduce more programmes that will benefit Hong Kong communities and Mainland development through important works by its charitable foundation.



“The Everbright Project”: A community service programme targeting the middle class in Hong Kong

In recent years, the fluctuating Hong Kong economy has put the middle class, the backbone of the society, under significant stress. This pressure stems from work, social life and rising property prices. The middle class often does not benefit from any government policies, which are focused on the grassroots. And unlike in the golden age of the 90s, it is more difficult today for one to work towards affluence. This has caused many middle-class people to develop emotional, confidence, economic, work-related and family issues.

In 2009, CEL formed a partnership with the Caritas Family Crises Support Centre to launch the Everbright Project, the first-ever community service program targeting the middle class in Hong Kong. The project fosters the idea of positive mentality and life planning to help middle-class individuals realise their full potential at various stages of life – in career development, interpersonal relationships, family planning, retirement planning and lifestyle change after retirement. It also promotes a balanced, happy and healthy lifestyle through the Group’s “Making Life Simple” philosophy.

Since its launch six years ago, the Everbright Project has organised several major seminars and nearly 700 service activities. These activities have proved the popularity of the Project; by the end of 2015, they had drawn the participation of over 12,000 people, showing high demand among the middle class. In addition, the Everbright Project has held more than 150 corporate workshops that help companies and their employees build harmonious interpersonal relationships and achieve sound work-life balance. The Everbright Project also invited renowned local academics to carry out several comprehensive studies on the stress levels of the middle class in Hong Kong, later issuing a report and hosting a press conference that generated wide media coverage of the survey results. The survey report was also submitted to relevant Government departments, which made the Everbright Project not just a service initiative, but also a communication platform for the Government and the middle class. As at the end of 2015, the Everbright Project had more than 2,900 registered members and nearly 400 registered volunteers. The Everbright Project’s services have benefited over 25,000 people, and it is Hong Kong’s largest middle class service programme.

In 2014, Caritas awarded the “5 Years Corporate Partnership with Caritas Award” to the China Everbright Charitable Foundation in recognition of CEL’s exclusive sponsorship of “The Everbright Project” to promote greater awareness of the contributions of Hong Kong’s middle class.



“Everbright Teachers’ Heritage Discovery Tour”: A programme for Hong Kong teachers to visit the Mainland

In addition to social welfare services, the China Everbright Charitable Foundation also focuses on education. At the end of 2012, CEL collaborated with the Hong Kong Federation of Education Workers to jointly launch the “Everbright Teachers’ Heritage Discovery Tour”, a national education programme providing Hong Kong teachers with a chance to visit heritage sites and understand new



development in mainland China. Focusing on a different cultural topic every year, the programme brings 40 to 50 Hong Kong teachers to the Mainland to exchange ideas with local educators and visit ancient historic sites, which helps enhance the teachers’ knowledge of Chinese history and culture. In 2013, 2014 and 2015, participating teachers went to Nanjing, Jiangyin, Taicang, Wuxi, Suzhou and other cities to develop a better understanding of local culture. After these visits, participating teachers are required to prepare a lesson plan and share their experiences with students.

“Lifeline Express”, a mobile eye-train hospital providing free surgical operations for cataract patients in remote, poverty-stricken areas in the Mainland

Over the past couple of years, CEL has formed a close partnership with Lifeline Express, becoming one of the largest funding sources helping the charity treat cataract patients in poverty-stricken areas in the Mainland. CEL has served as the title sponsor of Lifeline Express’ annual fundraising dinner for four consecutive years. It has made substantial donations in support of the Lifeline Express Charity Golf Day fund raising event. In 2014 and 2015, the Group arranged for a parent-child group to visit the eyetrain hospital and cataract patients in Shandong and Heilongjiang, providing help for paramedics and bringing love to patients.





Other community projects and donations

Over the past few years, CEL has supported disaster relief efforts following the Sichuan and Qinghai earthquakes, victims of the typhoons in Taiwan, and people living in impoverished areas in the Mainland. The Group has also helped the Central Conservatory of Hong Kong Foundation and the Jackie Chan Charitable Foundation organise fundraising events.



In 2015, CEL funded numerous community activities helping children and youth. These included sponsorships of the Hong Kong Teenager Artistic Development Programme and the "Raymond Young and Friends Charity Concert" hosted by the Young Artists Development Foundation. The Group organised a fund raiser for the Young Artists Development Foundation to provide professional painting training for Hong Kong teenagers with financial difficulties

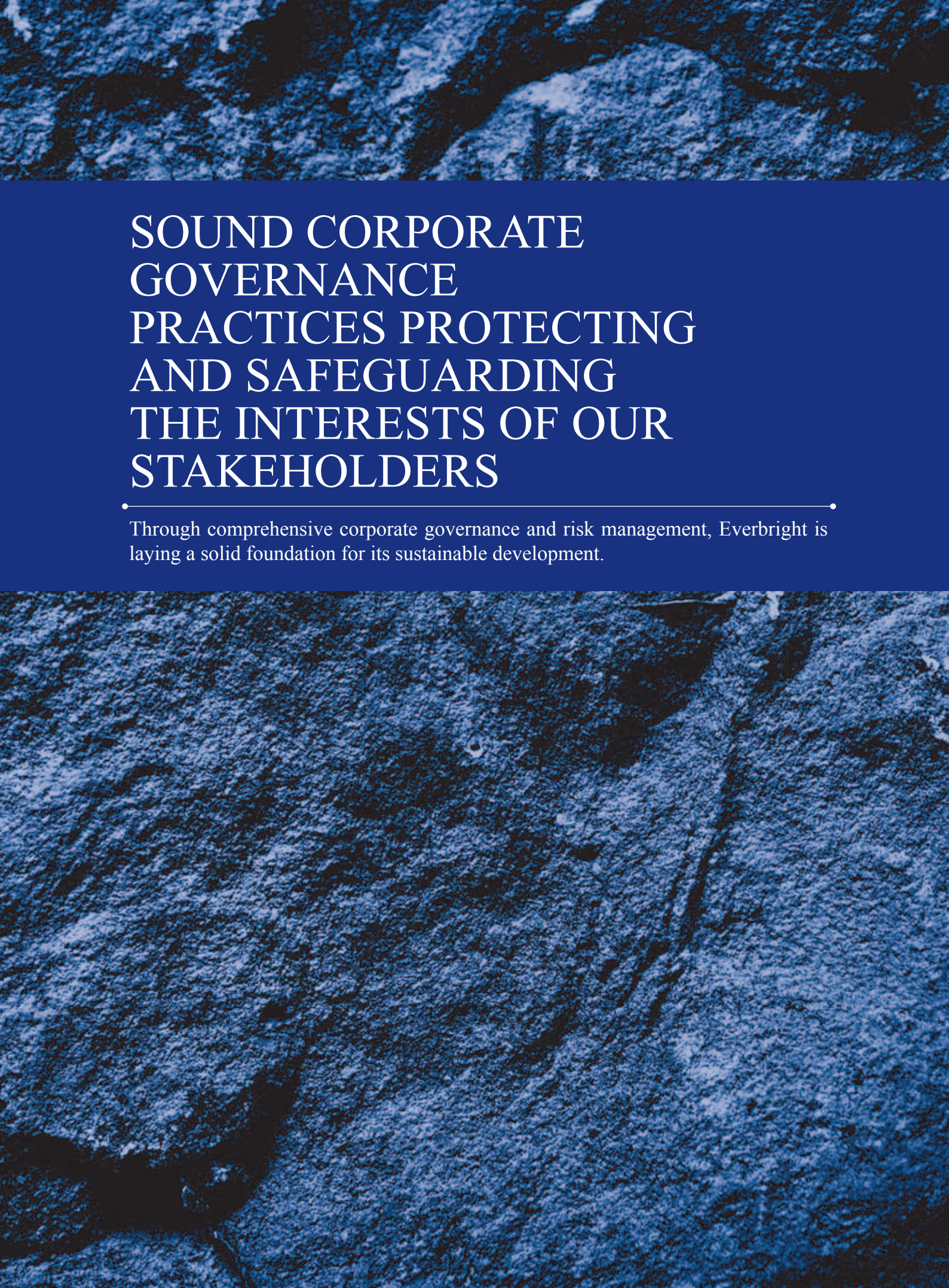
and little access to quality education. In addition, it sponsored the "YO! Dance it Up" and raised money for Youth Outreach, which is committed to turning at-risk teenagers into positive teenagers. It also worked with Shanghai Entertainment Team Media Group to sponsor "Art Class", a programme that aims to promote public appreciation of the arts and culture, particularly by educating juveniles in a fun, lively way. During the year CEL also made donations to the Guangxi province Baise City Education Fund to help impoverished students in the area, and it funded the "Daddy Daughter Ball" hosted by The Child Development Centre to help children with special educational needs in Hong Kong. Since its establishment, the Everbright Charitable Fund's donations to all these charitable activities have exceeded HK\$20 million.

Contributing to socioeconomic and cultural activities

CEL is deeply involved in promoting socioeconomic and cultural activities through the knowledge and influence of the professional sector. The Group's management holds a number of honourable positions in the financial industry, including Honorary Chairman of the Chinese Financial Association of Hong Kong; Vice Chairman of the Chinese Securities Association of Hong Kong; and standing member of the China Mergers and Acquisitions Association. Since 2013, Mr. Chen Shuang, Chief Executive Officer of the Group, has served as a non-official member of the Financial Services Development Council of Hong Kong (FSDC), which has made many practical recommendations to the Hong Kong Government in relation to the internationalisation of the renminbi and development of the Hong Kong financial market. In 2015, Mr. Chen was reappointed by the FSDC. In April 2015, he together with other members of the FSDC's Mainland Opportunities Committee released a report entitled "Chinese Enterprises 'Going Global': Opportunities and Hong Kong's Policy Responses". This report analysed the business opportunities for Hong Kong resulting from the growing trend of Chinese enterprises going global and put forward 16 suggestions for policy reform to the HKSAR government.

Environmental Protection and Energy Conservancy

Since 2006, CEL has been investing in environmental protection and renewable energy enterprises including Goldwind Science and Technology Co., Ltd, CECEP Wind Power Corporation Co., Limited, and Beijing Jingneng Clean Energy Co., Limited. The Group also supports the overall development of the environmental protection sector. In addition, the Group has instituted numerous energy-saving and conservation initiatives throughout its operations. For example, employees are advised to switch off their computers and monitors after work and make photocopies on recycled paper. CEL's annual report is printed on FSC-certified paper. Also, the Group's online collaborative Office Automation Platform and mobile app now cover various procedures for daily administration, management and approval, which has greatly promoted the paperless office concept. The Board of Directors and Board committees are now considering having "paperless meetings" to support environmental protection.



SOUND CORPORATE GOVERNANCE PRACTICES PROTECTING AND SAFEGUARDING THE INTERESTS OF OUR STAKEHOLDERS

Through comprehensive corporate governance and risk management, Everbright is laying a solid foundation for its sustainable development.

CORPORATE GOVERNANCE REPORT

Governance Principles and Structure

The Company always aims to comply with established corporate governance best practices, and the core value of the Company is to protect the interests of its shareholders, customers, staff and other stakeholders. It is committed to strictly abide by the laws and regulations of Hong Kong and observe the rules and guidelines issued by the relevant regulatory authorities such as the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The Company also constantly reviews its corporate governance practices to meet international and local best practices including the Corporate Governance Code ("the Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules"). One of the core values of the Company is that the highest standard of integrity is essential to business development.

The Company recognises the importance of high standards of corporate governance and maintains an effective corporate governance framework which delivers to the long-term success of the Group. The Company is also strongly committed to embracing and enhancing sound corporate governance principles and practices. The established and well-structured corporate governance framework directs and regulates the business ethical conduct of the Company, thereby protects and upholds the value of shareholders and stakeholders as a whole in a sustainable manner.

The Board would like to confirm that, subsequent to careful examination and review, other than deviation from the Code E.1.2 providing that the Chairman of the Board should attend the annual general meeting, the Company has complied with the Code for the year ended 31 December 2015. Due to other commitment, Mr. Tang Shuangning, the Chairman of the Board was unable to attend the annual general meeting held in May 2015. However, Dr. Liu Jun, the Deputy Chairman of the Board, had attended the annual general meeting held in May 2015.

Board

Composition of the Board

The Company is led by the Board that is effective and of quality. The Board acts honestly and fiducially, which makes decisions objectively for the best interests of the Company, so as to bring maximum value to the shareholders in the long term and practically fulfill its obligations to the stakeholders of the Company. The Board is comprised of a balanced portfolio from executive directors, non-executive director and independent non-executive directors ("INEDs"). Currently the Board has 9 members:

Name of Directors	Title
<i>Executive Directors</i>	
Mr. Tang Shuangning	Chairman
Dr. Liu Jun	Deputy Chairman
Mr. Chen Shuang	Chief Executive Officer
Mr. Tang Chi Chun, Richard	Chief Financial Officer
Mr. Jiang Yuanzhi	Chief Investment Officer
<i>Non-executive Director</i>	
Mr. Wang Weimin	Non-executive Director
<i>Independent Non-executive Directors</i>	
Mr. Seto Gin Chung, John	Independent Non-executive Director
Dr. Lin Zhijun	Independent Non-executive Director
Dr. Chung Shui Ming, Timpson	Independent Non-executive Director

Mr. Tang Chi Chun, Richard, Dr. Lin Zhijun and Dr. Chung Shui Ming, Timpson are directors with financial management expertise. The proportion shared by the INEDs satisfies the requirements of the relevant rules and regulations.

All directors are management officers with wide experiences in the financial industry. They have abundant professional expertise to fully understand our businesses and the necessary skills to deal with our business matters. Each of them is prudent, objective, diligent and has devoted sufficient time and efforts to handle the Group's affairs.

Non-executive directors (including INEDs) provide the Group with diversified expertise and experience. Their views and participation in the meetings of the Board and the Board Committees bring objective and independent judgments and advices on issues relating to the Group's strategies, performances, conflicts of interest and management processes, which ensure that the interests of all shareholders are taken into account.

With the assistance of the Nomination Committee, the Board reviews its structure, size and composition (including skills, expertise and experiences) on an annual basis. The Board considers the composition and proportion of its members rational and appropriate, which can fully leverage on balance of powers such that the interests of the Company and the shareholders and stakeholders will be protected to the maximum extent.

All the existing directors (including non-executive director and INEDs) of the Company have been appointed through formal letters of appointment setting out the key terms and conditions of their appointment.

Pursuant to the Articles of Association of the Company, all directors, including the Chairman and the Chief Executive Officer, shall retire by rotation at least once every three years at annual general meetings and be eligible for re-election. All new directors appointed by the Board are subject to re-election by shareholders at the next general meeting. At every annual general meeting of the Company, re-election of each director (including INED) has been assigned as a separate resolution for shareholder's voting.

Mr. Tang Shuangning, Dr. Liu Jun and Mr. Chen Shuang are also directors of China Everbright Holdings Company Limited, the controlling shareholder of the Company. If any substantial shareholder or director has a potential conflict of interest in a matter to be considered by a general meeting or the Board, the relevant directors shall abstain from voting and a Board meeting attended by INEDs who have no material interest in the matter shall be held to discuss and vote on the same. Save as disclosed above, there are no relationships (including financial, business, family or other material/relevant relationship(s)) among the Board members.

Board Diversity

The Board recognises the importance of having a diverse Board in enhancing the board effectiveness and corporate governance. A diverse Board will include and make good use of differences in the skills, industry knowledge and experience, education, race, age, gender, background and other qualities of directors. These differences will be taken into account in determining the optimum composition of the Board and when possible should be balanced appropriately.

The Nomination Committee of the Company has the responsibility for identifying and nominating directors for the approval by the Board. It takes the responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the Board and assessing the extent to which the required skills are represented on the Board and overseeing the Board succession, and also responsible for reviewing and reporting to the Board in relation to Board diversity.

Board appointments are based on merit, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including age and gender. Selection of female candidates to join the Board will be, in part, dependent on the pool of female candidates with the necessary knowledge, experience, skills and educational background. The final decision is based on merit and contribution the chosen candidate will bring to the Board.

Under the current board membership, all directors possess extensive experience in financial industry and management. In addition, one-third of them are Independent Non-executive Directors ("INEDs"), of whom some of them are experts in strategic development, financial and/or risk management. Biographical details of the professional experience, skills and knowledge of the directors are available in "Directors and Senior Management" section on pages 104 to 107.

The Board considers that Board diversity, including gender diversity, is a vital asset to the business.

At present, the Board has not set any measurable objectives to implement the Board diversity policy. However, the Board will consider and review from time to time the Board diversity policy and setting of any measurable objectives (if applicable).

Role of Independent Non-executive Directors

The Board believes that the INEDs play an important role in corporate governance. They provide the necessary checks and balances to ensure that the Group operates in a safe and sound manner and that its interests are protected. The INEDs also bring external experience and make judgment objectively. They are particularly important in performing a monitoring role. The Board considers all its INEDs to be independent in character and judgment. The Board has received written confirmation from the INEDs of their independence pursuant to the requirement under Rule 3.13 of the Listing Rules and considers all the INEDs to be independent. The appointment of an INED is for a fixed term and subject to retirement by rotation in accordance with the Articles of Association of the Company and the Listing Rules. Every year, the Board reviews and assesses the independence of any INED who is in office for more than 9 years. The conclusion of his independence is stated in the circular of the annual general meeting to shareholders.

Directors' Liability Insurance

The Company has in place an appropriate directors' and officers' liability insurance policy for each member of the Board to cover their liabilities on damages arising out of corporate activities. The coverage and the sum insured under the policy are reviewed on an annual basis.

Responsibilities of the Board

The Board is at the core of the Company's corporate governance framework, and there is a clear division of responsibilities between the Board and the Management. The Board is responsible for providing high-level guidance and effective oversight of the Management. In general, the Board:

- approves the Group's long term strategy and monitors the implementation thereof;
- reviews and approves the annual business plan and financial budget;
- approves the annual and interim results;
- reviews and monitors risk management and internal control of the Group;
- ensures good corporate governance and compliance; and
- monitors performance of the Management.

The Board authorises the Management to carry out the approved strategies. The Management is responsible for the day-to-day operation of the Group and is required to report to the Board regularly. The Board has formulated the Terms of Reference of the Board and the Mandate of the Senior Management and the Management Decision Committee, which set out the circumstances under which the Management should report to and obtain prior approval by the Management from the Board before making decisions or entering into any commitments on behalf of the Group. The Board regularly reviews the Mandate, and will update and amend the Mandate when appropriate.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties as set out below:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Company;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and
5. to review the Company's compliance with the Code and disclosure in the Corporate Governance Report under Appendix 14 to the Listing Rules.

During the year under review, the Board had performed the above duties including review of the following documents related to the corporate governance policies and practices:

- Terms of Reference of the Board;
- Mandate;
- Risk Management Policy;
- Corporate Governance Report;
- Internal Control Report;
- Risk Management Report; and
- Corporate Social Responsibility Report.

Division of Responsibilities between the Chairman and the Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are held by Mr. Tang Shuangning and Mr. Chen Shuang, respectively. Their roles are distinct and are clearly established and stipulated in their terms of reference. The Chairman leads the Board in order to ensure that the Board discharges its formal responsibilities and conforms to good corporate governance practices and procedures. Besides, as the Chairman of the Board, he is also responsible for making sure that all directors are properly informed of important issues which the Company is focusing on and that all directors receive accurate, timely and clear information. The Chairman also leads the Board in formulating business objectives and their related strategies. He is also responsible for organising the business of the Board, setting its agenda and ensuring its effectiveness with the assistance of the Company Secretary. The Chairman facilitates the effective contribution of the directors and the effective communication with the shareholders. During the period, Dr. Liu Jun as the Deputy Chairman of the Board assists the Chairman in overseeing and giving guidance to the Management in order to enhance the functions of the Board. The Chief Executive Officer is responsible for leading the Management, who implements and executes the important policies and development strategies approved by the Board with the assistance of the Management. The Chief Executive Officer is also directly responsible for the day-to-day operation of the Group and regularly reports to the Board.

The Terms of Reference of the Board, which are published on the Company's website www.everbright165.com and the website of the Stock Exchange, contain the terms of reference of the Board as updated from time to time. The Terms of Reference of the Board clearly define the terms of reference of the Board as well as all the Board Committees. The Board Committees make recommendations to the Board on relevant matters within their terms of reference, or make decisions under appropriate circumstances within the power delegated by the Board. Designated secretaries are assigned to all Board Committees to provide professional company secretarial services in order to ensure that Committee members have adequate resources to discharge their responsibilities properly and effectively. According to the Terms of Reference of the Board, the Board and the Board Committees review and evaluate their respective work processes and effectiveness on an annual basis. The list of directors and the roles and functions of all directors are clearly set out in the Terms of Reference of the Board. The Board shall also promptly update and revise the Terms of Reference according to its needs, and the updated Terms of References of the Board will also be uploaded timely to the Company's website and the website of the Stock Exchange for public inspection.

Training and Support for Directors

The Listing Rules require directors to understand their responsibilities as directors of listed companies. To ensure that newly appointed directors have adequate understanding of the responsibilities as directors of listed companies as well as the operations and business of the Group, the Board has set up an induction system for new directors. The Company Secretary inducts to each of the new directors following their appointments becoming effective, which includes a description of directors' duties, the Listing Rules, introduction of corporate governance structure and the businesses of the Company.

To ensure that all existing directors have a regular updates of their knowledge, so they can form informed recommendations and advices to the Board, the Board has established a guideline on directors' training. In addition to arranging appropriate trainings to existing directors on an annual basis, the Company issues "monthly circulars" to Board members, contents of which include the monthly financial statements of the Group to give directors a balanced and understandable assessment of the Company's performance, position and prospects. Together with reports to the directors about latest information on the Company's operation, investor relations reports, and reading material in relating to directors' responsibilities. The said reading material is mainly used to provide Board members information on significant changes in the regulatory requirements applicable to both the directors and the Company, the latest developments in the industry and the latest development in corporate governance practices in a timely manner, which can update their knowledge and skills associated with directors' duties. The contents and information contained in the "monthly circulars" to Board members is of sufficient detail to enable the directors as a whole to discharge their duties under Listing Rules 3.08 and Chapter 13.

The Company Secretary also arranges meetings between Board members and front-line business teams in a timely manner, which enables the Board members to enhance better understanding of the front-line business development of the Company. In 2015, the Board members conducted meetings with business teams and attended the Everbright Investment Conference 2015 held in Chongqing in November 2015 to comprehend the business operation and the recent development in the industry. In addition to arranging trainings to existing directors regularly, the Board members are also encouraged to participate in professional training programmes as they consider appropriate, with a view to develop and update their knowledge and skills.

Apart from the above training offered by the Company, based on the training records provided to the Company by the directors, the directors also participated in the following trainings during 2015:

Directors	Type of trainings
<i>Executive Directors</i>	
Tang Shuangning	A, C
Liu Jun	A, B, C
Chen Shuang	A, B, C
Tang Chi Chun, Richard	A, C
Jiang Yuanzhi	A, C
<i>Non-executive Director</i>	
Wang Weimin	A, C
<i>Independent Non-executive Directors</i>	
Seto Gin Chung, John	A, C
Lin Zhijun	A, C
Chung Shui Ming, Timpson	A, C

A: attending seminars and/or conferences and/or forums

B: delivering talks at seminars and/or conferences and/or forums

C: reading information, newspapers, journals and materials relating to the responsibilities of directors, economy, fiscal, financial, investments and business of the Company

Attendance of the Directors at Board, Board Committee and General Meetings

A total of 4 Board meetings were held during the year. The schedule for the regular meetings of the Board and the Board Committees was prepared and approved by the Board at the end of the previous year. Formal notices were sent to all directors at least 14 days before the meeting shall be held officially. In general, the Board agenda and meeting materials were dispatched to all Board or relevant committee members for review at least 3 working days before the meetings. The agenda had been prepared after sufficient consultation with the Board/Board Committee members and the Management and was then approved by the respective chairmen. The Company Secretary is responsible for submitting the papers of Board meetings and relevant information to the directors, who have to capture the related information timely and further obtain more if necessary or seek independent professional advice accordingly.

The minutes of the Board/Board Committees contain detailed records of all the issues considered and the decisions made by the directors. The minutes, upon reviewed by all the Board members, are properly kept by the office of the Company Secretary. The Company Secretary reported matters arising from previous Board meeting and the relevant follow up actions taken.

The Board can also seek the advices and services from the Company Secretary or the secretaries of the respective Board Committees. The Company Secretary is also responsible for ensuring compliance of the procedures of the Board as well as the applicable laws, rules and regulations. Apart from the regular Board meetings, the Company Secretary also arranges a meeting for the Chairman and the Deputy Chairman of the Board to meet all INEDs in the absence of the executive directors and the management. Individual attendance records of the relevant directors in 2015 are as follow:

Attendance

The attendance of the directors at board meetings and various Board committee meetings as well as the general meetings of the Company in 2015 is set out below:

Directors/members	Board Meeting	Nomination Committee Meeting	Audit & Risk Management Committee Meeting	Remuneration Committee Meeting	Strategy Committee Meeting	General Meeting
Tang Shuangning	3/4	n/a	n/a	n/a	n/a	0/2
Liu Jun	4/4	1/1	n/a	3/3	1/1	2/2
Chen Shuang	4/4	n/a	n/a	n/a	1/1	2/2
Tang Chi Chun, Richard	4/4	n/a	n/a	n/a	n/a	2/2
Jiang Yuanzhi	4/4	n/a	n/a	n/a	1/1	2/2
Wang Weimin	3/4	n/a	n/a	n/a	1/1	1/2
Seto Gin Chung, John	3/4	1/1	6/6	3/3	1/1	2/2
Lin Zhijun	4/4	1/1	6/6	3/3	1/1	1/2
Chung Shui Ming, Timpson	3/4	1/1	6/6	3/3	1/1	0/2

The directors have to spend substantial time for the meetings of the Board and the Board Committees, including reading the papers before the meetings, allowing sufficient discussion of the issues in the meeting and giving in-depth understanding to the follow-up issues under the agenda after the meeting. The Company also required the directors to disclose to the Company each year the number and nature of offices held in public companies or organisations and other significant commitments, with an indication of the time involved. The Board believes all directors devoted sufficient time and efforts to deal with matters of the Group.

Board Committees

Taking into account the market practices and international best practices in corporate governance, the Board established 5 Board Committees to carry out its responsibilities: the Executive Committee, the Audit and Risk Management Committee, the Nomination Committee, the Remuneration Committee and the Strategy Committee. In addition, the Board will, if necessary, authorise an independent board committee comprising all INEDs to review, approve and monitor the connected transactions (including continuing connected transactions) in accordance with the requirements of the relevant laws and regulations. The Terms of Reference of the Board clearly define the terms of reference of the Board Committees. The Board Committees can make recommendations to the Board on relevant matters within their terms of reference, or make decisions under appropriate circumstances within the power as delegated by the Board. The Board committees submit their reports on their work semiannually. As mentioned, the Terms of Reference of the Board, which set out the terms of references of all the Board Committees, are published in details on the Company's website and the website of the Stock Exchange.

Management is responsible for providing the Board and Board Committees with adequate and timely information which is complete and reliable and which will enable directors to make an informed decision on matters placed before them. Where any director requires more information than provided voluntarily by Management, he will make further enquiries, to which Management must respond quickly and effectively. The Board and individual directors have separate and independent access to the Senior Management.

Executive Committee

The Executive Committee, which was established in 2005, is the organ for making significant business decisions of the Company. Upon the delegation by the Board, the Executive Committee makes decisions regarding major issues as proposed by the Board through interactive communications from time to time concerning monitoring over the Group's business objectives, business development plans and major business projects. The Executive Committee currently comprised four members: Dr. Liu Jun (Deputy Chairman of the Board), Mr. Chen Shuang (Chief Executive Officer), Mr. Tang Chi Chun, Richard (Chief Financial Officer) and Mr. Jiang Yuanzhi (Chief Investment Officer). Dr. Liu Jun, the Deputy Chairman of the Board, is the Chairman of the Executive Committee. In 2015, the Executive Committee approved a number of major issues through written resolutions.

Audit and Risk Management Committee

The Audit and Risk Management Committee, was established in 1999 and formerly known as the Audit Committee ("the Committee"). The Board is aware that risk management and control is one of the core parts of the Group's business operation. In February 2006, the Committee entirely consisting of all INEDs was renamed as Audit and Risk Management Committee, further to the terms of reference required to be performed by Audit Committee under the Listing Rules, it also assists the Board to formulate and monitor the risk management strategy and related framework and policy of the Company. The Chief Risk Officer and Risk Management Department assist the Committee to perform the daily risk management function with guidance of the Committee in order to ensure that the risk management and internal control systems have been implemented and complied. The Committee assists the Board in fulfilling its responsibilities relating to the supervision of the financial statements, internal control, internal audit and external audit of the Group. The written terms of reference of the Committee, which were prepared with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants and updated with reference to the requirement of the Code, were approved and properly authorized by the Board. The Terms of Reference of the Audit and Risk Management Committee is available for inspection at the Company's website. In short, the Committee mainly assists the Board in performing its role in the Group in the following areas, among others:

Internal Audit function

- to conduct annual audit planning reviews with the Internal Auditor, at which time the Internal Audit Department will review the general adequacy of the accounting systems and internal control system and will outline the indicated internal audit programme in respect of the Company and its subsidiaries for review and guidance by the Committee;
- to conduct audit activity reviews with the Internal Auditor, at which time the Internal Auditor will highlight the significant events and findings which, in their opinion, require the Committee's knowledge and/or attention. As background preparation for such reviews, the Internal Auditor will be invited to attend the Committee meetings to present the internal audit reports in respect of the Company and its subsidiaries. The Committee will discuss the reports and report the summary of reports as appropriate to the Board;
- to ensure co-ordination between the Internal and External Auditors is adequate and that the internal audit function has adequate resources and appropriate standing within the Company; and
- to review and monitor the effectiveness of the internal control system, the internal audit function and the annual audit plan based on a risk methodology process.

In addition, pursuant to paragraphs C.2 and C.3.3 of the Code, the Committee conducted an annual review of the effectiveness of the internal control systems of the Group with the assistance of the Internal Audit Department. The internal control review of the Group covered all material aspects, including financial, operational and compliance controls as well as risk management. Upon completion of the review, the Committee considered that the key areas of the Group's internal control systems were reasonably implemented and were able to prevent material misstatements or losses, safeguard the Group's assets, maintain appropriate accounting records, ensure compliance with applicable laws and regulations, and generally the internal control requirements of the Code have been fulfilled. Such views were recommended to the Board. Please refer to the section headed "Internal Control" for detailed information about the review.

External Auditors

- to appoint, retain, dismiss and replace the Group's External Auditors, subject to endorsement by the Board and final approval and authorisation by the Shareholders of the Company in General Meeting, and to approve the remuneration and terms of engagement of the External Auditors, and any questions of its resignation or dismissal; and monitor the associated fees and independence of the External Auditors to ensure that the performance of non-audit services does not impair the independence of the External Auditors in connection with their audit. Each non-audit service to be performed by the External Auditors shall be separately identified in connection with its pre-approval;
- to meet with the External Auditors at least annually, in the absence of management, to discuss matters relating to any issues arising from the audit and any accounting, financial reporting or internal control matters the External Auditors may wish to raise;
- to review and monitor the effectiveness of the audit process in accordance with applicable standards and discuss with the External Auditors the nature and scope of the audit and reporting obligations before the audit commences;
- to review the work of the External Auditors (including the resolution of any disagreement between management and the External Auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, the scope of their audit and any other services, and approve the fees for and terms of their services;
- review with the External Auditors recent or anticipated developments in accounting principles or reporting practices that may affect the Company or the scope of the audit; and discuss major anticipated audit problems, if any;
- to review results of audits performed by the External Auditors including any changes in accounting procedures and/or the system of internal controls noted or developed during the audit examination along with matters of controversy, if any, with management. Determine appropriate action required on significant control weaknesses, and recommend such actions to the Board of Directors; and
- to review the External Auditors' management letter, any material queries raised by the External Auditors to Management about accounting records, financial statements or systems of control and Management's response.

Finance Reporting

To review and monitor the completeness, accuracy and fairness of half-year and annual financial statements before submission to the Board with particular regard to changes in accounting policies and practices, major judgmental areas, adequacy of disclosure, consistency within the financial statements and with prior disclosures, any significant audit adjustments, the going concern assumption and any qualifications, compliance with any applicable legal requirements and accounting standards and compliance with the requirements of the Listing Rules and other legal requirements in relation to financial reporting;

The Committee will invite Chief Financial Officer, Chief Risk Officer, Head of Internal Audit Department and External Auditors to attend its meetings. The Committee will consider any significant and unusual items that are, or may need to be, reflected in the report and financial statements and will give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

Risk Management

Pursuant to paragraphs C.2.3 and C.2.4 of the Code, with assistance of the Chief Risk Officer and with Risk Management Department, the Committee considers and reports to the Board for its review of:

- (a) the changes, since the last review, in the nature and extent of significant risks, and how the Company responds to changes in its business and the external environment;
- (b) the scope and quality of Management's ongoing monitoring of risks and of the internal control system, the work of internal audit;
- (c) the monitoring results, which enables it to assess control of the Company and the effectiveness of risk management;
- (d) significant control failings or weaknesses identified and the extent that they have caused unforeseen outcomes or contingencies that could have material impact on the Company's financial performance or condition; and
- (e) the effectiveness of the processes for financial reporting and Listing Rules compliance.

In addition, to monitor the Company to disclose the following in the Risk Management Report:

- (a) the process used to identify, evaluate and manage significant risks;
- (b) additional information to explain its risk management processes and internal control system;
- (c) an acknowledgement by the Board that it is responsible for the internal control system and reviewing its effectiveness;
- (d) the process used to review the effectiveness of the internal control system; and
- (e) the process used to resolve material internal control defects for any significant problems disclosed in its Annual Reports and Financial Statements.

A comprehensive analysis of the risks affecting the businesses of the Company and the associated mitigation measures is set out in the Risk Management Report on pages 84 to 91.

Corporate Governance

- reviewing and dealing with the Company's accounting, financial reporting and internal audit functions, the effectiveness of the Company's corporate governance structures and its implementation;
- overseeing the Company abides by any applicable laws and complies with regulation of the relevant regulators and maintains its business ethics; and
- making recommendations to the Board where necessary, and to carry out duties within the delegated authority of the Board.

Whistleblowing

The Audit and Risk Management Committee is responsible for monitoring the use and effectiveness of the whistleblowing policy for employees and other stakeholders who deal with the Company to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company, including but not limited to improprieties in financial reporting, internal control and audit matters. The Audit and Risk Management Committee also needs to ensure that proper arrangements are in place for fair and independent investigation of these improprieties and for appropriate follow-up action; to receive, review and act upon any report regarding evidence of any material violation of securities law or breach of fiduciary duty or similar violation by the Company or any agents thereof, if such a report is submitted to the Committee by an attorney or otherwise;

The work performed by the Audit and Risk Management Committee in 2015 included the review and, where applicable, approval of:

- the Group's financial statements for the year ended 31 December 2014 and the annual results announcement thereof, which were recommended to the Board for approval;
- the Group's interim financial statements for the six months ended 30 June 2015 and the interim results announcement thereof, which were recommended to the Board for approval;
- the audit report and management letter submitted by the external auditors;
- the quarterly risk assessment report submitted by the Chief Risk Officer;
- the quarterly internal audit report submitted by the Internal Audit Department;
- the re-appointment of external auditors, and the audit fees, non-audit fees payable to external auditors for the annual audit and interim review;
- the Group's internal audit plan and key areas of the internal audit work focus for 2015; and
- Whistleblowing Policy related matters.

In addition, the Audit and Risk Management Committee also assisted the Board to perform the internal control and risk management function, including:

- to review the systems of financial control, internal control and risk management;
- to discuss the internal control system with Management to ensure that Management has performed its duty to have an effective internal control system. This discussion should include:
 - (a) an annual review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting function;
 - (b) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and Management's response to these findings;
 - (c) to review the Group's financial and accounting policies and practices. Special meetings may be called at the discretion of the Chairman or the request of Senior Management to review significant control or financial issues; and
 - (d) to review the annual general representation letter from the CEO and CFO.

The Audit and Risk Management Committee comprises three members, and all members including the chairman are INEDs. It is chaired by Dr. Chung Shui Ming, Timpson, who has professional qualifications and wide experiences in financial business. The remaining members, Mr. Seto Gin Chung, John has wide experiences in financial business. Dr. Lin Zhijun has appropriate professional qualifications and experiences in financial matters. Six Audit and Risk Management Committee meetings were held during the year with an attendance rate of 100%.

Nomination Committee

The Nomination Committee, which was established in 2005, is responsible for assisting the Board in nominating the right candidates for directorship and senior management positions as well as for evaluating the competence of the candidates to ensure that they are in line with the Group's overall development directions. The Nomination Committee assists the Board in fulfilling its supervisory role over the Group in the following areas, among others:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of INEDs annually;
- to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the Chief Executive Officer;
- to make recommendations to the Board on the appointment or re-appointment of senior management; and
- to monitor the implementation of Board Diversity Policy of the Company. Review and report Board Diversity related matter to the Board annually.

For the recruitment of directors and senior management, the Nomination Committee first takes into account the skills, knowledge and experiences of the Board and Board Committees, and the business requirements of the Group in order to determine the key requirements for the candidates and objective criteria for selection. Such criteria include relevant expertise, integrity, industry experiences and independence.

The Nomination Committee currently has four members: Dr. Lin Zhijun, Mr. Seto Gin Chung, John, Dr. Liu Jun and Dr. Chung Shui Ming, Timpson. Dr. Lin Zhijun, an INED, is the chairman. The INEDs represent a majority of the committee members. Stability of the Board members, Committees members and senior management was maintained in 2015 and the Nomination Committee held one meeting in the year in relation to the review of the structure, size and composition (including skills, experience and knowledge) of the Board and the Board Committees and Board Diversity Policy. The attendance rate of the Nomination Committee meeting is 100%.

Remuneration Committee

The Remuneration Committee, which was established in 2005, is responsible for assisting the Board in overseeing the Group's human resources and remuneration policies. The Remuneration Committee assists the Board in fulfilling its supervisory role over the Group in the following areas, among others:

- to make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to determine, with delegated responsibility, remuneration packages of individual executive directors and senior management; including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- to assess the performance of executive directors and to approve the terms of executive directors' services contract;
- to ensure the fairness and reasonableness of the overall human resources and remuneration policies of the Company;
- to make recommendations to the Board on the remuneration of non-executive directors and INEDs;
- consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- to ensure that no director or any of his associates is involved in deciding his own remuneration.

The work performed by the Remuneration Committee in 2015 included the review and, where applicable, approval of:

- the performance appraisal of the executive directors and senior management for year 2014;
- the proposal on staff bonus (including the senior management) for year 2014 and salary adjustments for year 2015 for the Group;
- the incentive scheme of the Group; and
- the policies on performance appraisal of the Group's staff (including senior management), annual bonus and annual salary adjustments.

To ensure that the directors receive remuneration commensurate with the time and effort they dedicate to the Group, directors and senior management's remuneration should be appropriate and reflect their duty and responsibility to fulfill the expectations of the shareholders and meet regulatory requirements. The Remuneration Committee, in proposing the remuneration of directors, makes reference to companies of comparable business type or scale, and the nature and quantity of work at both Board and Board Committees (including frequency of meetings and nature of agenda items) and determines expense allowance for directors to attend meetings and other allowances. The proposed remuneration is put to shareholders for final approval at general meetings. The Remuneration Committee also determines the specific remuneration package of executive directors and senior management, including share options and benefits in kind. The Board based on the recommendations of the Remuneration Committee, approves the remuneration policy of the Company. Currently the principal components of the Company's remuneration package for executive directors and senior management include the basic salary, a discretionary bonus and other benefits in kind. A significant portion of the executive directors' or senior management's discretionary bonus is based on the Group's and the individual's performance during the year in order to achieve the appropriate compensation level. None of the directors is entitled to determine his/her own remuneration package. The Remuneration Committee reviews and approves the annual and long-term performance targets for senior management by reference to corporate goals and objectives approved by the Board from time to time. The Remuneration Committee also reviews the performance of the senior management against the targets set on an ongoing basis, and reviews and approves the specific performance-based remuneration of the senior management. The Remuneration Committee seeks professional advice in appropriate circumstance at the cost of the Company.

The remuneration received by each of the directors in 2015 is listed in note 8(a) to the financial statements in this report. The remuneration received by the senior officers was disclosed in this report according to the band of their remuneration. The fee for the existing directors of the Company, including the expense allowance for acting as member(s) of the Board Committees, is submitted to the general meeting every year for approval. For 2015, the remuneration approved by shareholders at the general meeting is as follows:

The director's fee for the year ended 31 December 2015 is HK\$150,000 for each INED who has served one full year and pro-rated for INED who did not serve one full year. There is no standard fee for INEDs for acting as member(s) of the Remuneration Committee, Audit and Risk Management Committee, Nomination Committee and Strategy Committee. However, an expense allowance was paid to INEDs for attending the following meetings:

- (a) HK\$10,000 for attending a Board meeting;
- (b) HK\$5,000 for attending a meeting of the Remuneration Committee, Nomination Committee and Strategy Committee; and
- (c) HK\$14,000 for the chairman of the Audit and Risk Management Committee attending its meeting and HK\$10,000 for other members.

There is no director's fee for the year ended 31 December 2015 for executive directors/non-executive directors.

There is no standard extra fee for executive directors/non-executive directors for acting as member(s) of the Remuneration Committee, Executive Committee, Nomination Committee and Strategy Committee. However, an expense allowance of HK\$10,000 was paid to an executive director/a non-executive director on each occasion he attended the directors' meetings; an expense allowance of HK\$5,000 was paid to an executive director/a non-executive director who attended each meeting of the Executive Committee, Remuneration Committee, Nomination Committee and Strategy Committee.

A basic allowance in a total amount of HK\$100,000 will be paid to each director every year on 1 July and prior to the Lunar New Year.

The Remuneration Committee currently has 4 members comprising Mr. Seto Gin Chung, John, Dr. Liu Jun, Dr. Lin Zhijun and Dr. Chung Shui Ming, Timpson, for which Mr. Seto Gin Chung, John, an INED, is the chairman. The INEDs represent a majority of the members of the Remuneration Committee. A total of three meetings were held by the Remuneration Committee during the year with an attendance rate of 100%.

Remuneration of Directors and Senior Management

The remuneration of the members of the senior management by band for the year ended 31 December 2015 is set out below:

Remuneration Bands (HK\$)	Number of persons
HK\$5,000,001 to HK\$5,500,000	2
HK\$5,500,001 to HK\$6,000,000	2
HK\$6,000,001 to HK\$6,500,000	1
HK\$8,500,000 to HK\$9,000,000	1
HK\$10,500,000 to HK\$11,000,000	1

Further particulars regarding directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 8 of the financial statements.

Strategy Committee

The Strategy Committee, which was established in 2006, is responsible for studying the long term strategy and planning of the Group and making recommendations to the Board for the middle and long term development strategies of the Group. The Strategy Committee is chaired by Mr. Seto Gin Chung, John, an INED, and currently has 7 members: Mr. Seto Gin Chung, John, Dr. Liu Jun, Mr. Chen Shuang, Mr. Jiang Yuanzhi, Mr. Wang Weimin, Dr. Lin Zhijun and Dr. Chung Shui Ming, Timpson. The Strategy Committee convenes physical meeting regularly each year with a focus to review the strategic positioning and development planning of the Group.

Independent Board Committee

An Independent Board Committee, comprising, Mr. Seto Gin Chung, John, Dr. Lin Zhijun, Dr. Chung Shui Ming, Timpson and Mr. Wang Weimin, was formed, and a written resolution was resolved to advise independent shareholders of the Company on a continuing connected transaction and discloseable transaction of the Company and make recommendations on voting at the Company's extraordinary general meeting held on 18 June 2015.

Accountability and Audit

CEL aims to ensure disclosures provide meaningful information and do not give a misleading impression. As part of the Company's system of internal control, the Management Decision Committee members will submit a "Representation Letter" to the Board, in which they give their confirmation that "the competence of the accounting records, the compliance of financial reporting, the accuracy of the fair value of the investment projects, the information provide to External Auditors and Board members are full range, complete, correct and without omission, which cover financial and relevant non-financial information". The letter forms the supporting documents for the Board to sign off the Representation letter to the External Auditors.

Internal Control

The Board has the responsibility of ensuring that the Group maintains sound and effective internal control to safeguard the Group's assets. The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss; to manage, but not completely eliminate, the risks of system failure; and to assist in achieving the Group's objectives. In addition to safeguarding the Group's assets, it also ensures the maintenance of proper accounting records and compliance with relevant laws and regulations.

The Group's risk management and internal control system includes several different functions: business units, operations, risk management, compliance, institutional sales, brand management, legal and company secretarial, finance and accounting, human resources, information technology, administration, internal audit and etc., which constitute a comprehensive operating system for the Group. Riding on the concept of comprehensive risk management and internal control system, the Management establishes detailed governing procedures in all levels, which are monitored by qualified professionals with extensive management experience and continuously updated according to the Group's latest business development.

The Group's monitoring structure

In order to fully control the level of risk and to monitor the internal management effectively, the Group integrates the requirements of risk management and internal control into the corporate management and business processes by setting up "three lines of defense":

1st. The risk management of frontline departments

In response to the business condition and its development, the business units perform systematic analysis, verification, management and monitoring on risk factors from different perspectives, such as strategic risk, market risk, financial risk, operational risk and etc. Management sets business goals and the overall risk limits at both business unit level and Group level. Based on the nature of the business activities, the Management sets up approval, verification and monitoring processes to ensure the business development and risk management complement each other, and to ensure that the business goals can be achieved by managing risk effectively. By adopting a comprehensive, systematic and proactive framework of risk management and internal control, the Group's business will be developed more effectively and efficiently.

2nd. Continuously monitor of middle and back office

The middle and back offices, including: Finance and Accounting, Operations, Legal, Compliance and Company Secretarial, Risk Management, and Information Technology must set up relevant internal control and management systems to monitor the risk exposures, supplement and update the internal control and management procedures based on the latest business development and changes of risk. Meanwhile, back offices and business units work independently to perform financial, operational and compliance monitoring as well as risk management functions within the Group.

3rd. The independent review of internal audit

Internal audit is an independent department carrying out objective review and providing advisory service. It uses systematic and standardized approach to evaluate whether the operating activities, risk management and internal control are appropriate and effective. The director of Internal Audit reports directly to the Audit and Risk Management Committee on its work while the monitoring and daily administrative matters of the department are reported to the Chief Risk Officer.

Based on the risk oriented principle, Internal Audit compiles annual audit plan and rolling audit plan to make sure that its audit covers all business and operation processes and their related risks. In accordance with the annual audit plan approved by the Audit and Risk Management Committee, Internal Audit reviews the effectiveness of the Group's risk management and internal control systems, and prepares internal audit reports quarterly for the Audit and Risk Management Committee to review and the relevant management to follow-up. Internal Audit also submits the audit follow-up reports quarterly to ensure that the relevant management has taken appropriate actions towards the audit suggestion which aims at improving the risk management and internal control procedures.

Based on the results of the relevant internal audit and assessment of internal control, Internal Audit develops, implements and updates the internal audit strategy so as to improve the quality of audit.

The review of risk management and internal control by the Board

Risk Management Department prepares the risk management report on a quarterly basis and submits it to the Audit and Risk Management Committee for review. The report outlines the risks faced by the Group, changes in business activities, compliance issues and recommendations. In addition, the Board reviews the effectiveness of the Group's risk management and internal control system with the assistance of Audit and Risk Management Committee, which covers all material control including financial, operational and compliance control, and the risk management system. Also, the results of the review of the effectiveness of the Group's risk management and internal control system were reported to the Audit and Risk Management Committee and the Board by the Internal Audit Department at the year end. The Board acknowledged that the risk management and internal control system of the Group during the review period were effective and adequate.

The Board acknowledges that it has the ultimate responsibility to ensure that there are sound and effective financial control and accounting, and internal audit functions. The Board delegates the Audit and Risk Management Committee with the responsibility of reviewing the adequacy of the resources of accounting and financial report, and internal audit functions yearly, under the assistance of the Chief Financial Officer and the Internal Audit Department. The scope of the review covers the staffing and back-up resources, their relevant working experiences and years served, recognized professional qualifications, the adequacy of budget for training and the corresponding training. The results of the annual review were reported to the Audit and Risk Management Committee and the Board.

The Audit and Risk Management Committee and the Board consider that the material aspects of the Group's risk management and internal control system are reasonably implemented and are able to prevent significant misstatements or losses, whilst safeguarding the Group's assets, maintaining appropriate accounting records and complying with applicable laws and regulations. Such internal control system has basically fulfilled the requirements of the Code as set out in Appendix 14 of the Listing Rules regarding risk management and internal control system in general.

In addition, the Group has established and implemented the following internal control system:

- The Management established an organisational structure with different hierarchies of duties, authorities and responsibilities of personnel; formulated written policies and procedures to check and balance the authorities of different departments; reasonably safeguarded the assets and the implementation of the internal control measures of the Group; and operated in compliance with laws and regulations under effective risk control.
- The Management formulated and continually monitored the implementation of the Group's development strategies, business plans and financial budgets. The accounting and management systems were also in place to provide the basis for evaluating the financial and operational performances.
- The Group formulated various risk management and human resource management policies. Specific units and personnel were responsible for identifying, assessing and managing each of the major risks types. These include reputation, strategic, legal, compliance, credit, market, operation, liquidity and interest rate risk.
- The Chief Risk Officer of the Group is responsible for the routine risk management work of the Group and for supporting and assisting the Management in defining and evaluating the risk exposures of the Group's businesses and conducting the co-ordination thereof. He assesses, identifies and records the risk structure of the Group and ensures the relevant business units are aware of such issues. The Chief Risk Officer regularly reports to the Audit and Risk Management Committee and the Management Decision Committee. The Risk Management Department assists the Chief Risk Officer in carrying out his duties.
- The Audit and Risk Management Committee reviews the letter of recommendation submitted by the external auditors to the Management in connection with the annual audit. The Internal Audit Department is responsible for ensuring that the recommendations are promptly followed, and will also periodically report the status of the implementation thereof to the Audit and Risk Management Committee and keep the Management informed with updated information.

Risk Management

With assistance of the Audit and Risk Management Committee, the Board is responsible for evaluating and determining the nature and extent of the risks that it is willing to take in achieving the Company's strategic objectives; with assistance of the Management, the Audit and Risk Management Committee is responsible for ensuring that the Company establishes and maintains appropriate and effective risk management and internal control system. The management's written confirmation on the effectiveness of the risk management and internal control system's structure, their implementation and monitoring to the Board has been set out in the said "Risk Management Report".

Board Evaluation

Each of the Board and Board Committees will conduct a self-assessment review of their own effectiveness from time to time and review and amend as appropriate their terms of reference and working rules according to the needs.

Directors' Securities Transactions

The Company has devised special rules governing securities dealing of directors in the "Code for Securities Transactions by Directors and Relevant Employees", which are no less exacting than the required standards set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix 10 of the Listing Rules. Having enquired of all directors, the directors confirmed that they have complied with the required standards set out in the said manual and the Model Code throughout the year of 2015.

Constitutional Documents

During the year, there is no change in the Company's constitutional documents.

External Auditors

Pursuant to the responsibility delegated by the Board, the Audit and Risk Management Committee had reviewed and monitored the independence, objectivity and effectiveness of KPMG, the Group's external auditors, on their audit procedures, and the results were satisfactory.

For 2015, the total fee charged by KPMG was HK\$11,436,000 including a non-audit services fee of HK\$2,042,000 for the review of the interim financial statements and other services. For 2014, the fee charged by KPMG for audit and non-audit services was HK\$12,405,000.

According to the relevant regulations issued by the Ministry of Finance of the PRC regarding the audit work on financial statements of state-owned enterprises, there are restrictions in respect of the years of audit services that an accounting firm can continuously provide to a state-owned enterprise. The Company is an indirect subsidiary of China Everbright Group Ltd. which is a state-owned enterprise. Since the number of years that the Company has continuously engaged KPMG has exceeded the prescribed time limit, KPMG will retire as the auditors of the Company with effect from the conclusion of the forthcoming annual general meeting of the Company (the "Forthcoming AGM") and accordingly, will not seek for re-appointment.

The Board has resolved, with the endorsement of the Audit and Risk Management Committee of the Company, to recommend the appointment of Ernst & Young as the new auditors of the Company following the above-mentioned retirement of KPMG and such proposed appointment is subject to the approval of the shareholders of the Company at the Forthcoming AGM.

The Company has received a confirmation letter from KPMG confirming that there are no matters connected with its retirement that should be brought to attention of the Board. The Board has confirmed that there are no matters in respect of the proposed change of auditors that need to be brought to the attention of the shareholders of the Company.

Directors' Responsibilities in respect of Financial Statements

The following statement should be read in conjunction with the auditor's statement of its responsibilities as set out in the Independent Auditor's Report contained in the 2015 Annual Report of the Company. The statement sets out for the shareholders the respective responsibilities of the directors and the auditors in relation to the financial statements.

The directors are required by the Companies Ordinance in Hong Kong to prepare financial statements which give a true and fair view of the state of affairs of the Company. The financial statements should be prepared on a going concern basis unless it is inappropriate to do so. The directors have the responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the requirements of the Companies Ordinance in Hong Kong. The directors also have general responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The directors consider that in preparing the financial statements in the 2015 Annual Report, the Company has adopted appropriate accounting policies which have been consistently applied with the support of reasonable and prudent judgments and estimates, and that all accounting standards which they consider to be applicable have been followed. Directors ensure that the Financial Statements are prepared so as to give a true and fair view of the financial status, operations and cashflow states of the reporting period.

Effective Disclosure Mechanism and Handling Inside Information

The Board reviews and monitors from time to time the effectiveness of the Group's disclosure process for reports, announcements and price sensitive information. It encourages and takes necessary steps to disclose information in a timely manner and to ensure the information concerning the Group is expressed and communicated in a clear and objective manner that enables the shareholders and the public to appraise the position of the Group to make informed investment decisions.

The Company maintains procedures and internal control for the handling and dissemination of its inside information. The Board is aware of its obligations under the Listing Rules. The overriding principle that information which is expected to be inside information should be announced immediately is the subject of a decision, the Company has stated in its "Inside Information Guideline" that it has a strict prohibition on the unauthorised use of confidential or inside information and has established and implemented procedures for responding to external enquiries about the Group's affairs. A member of the Management Decision Committee is identified and authorised to act as the Company's spokesperson and respond to enquiries in allocated areas of issues.

Communication with Shareholders and Shareholders' Rights

Annual General Meeting

The Board attaches a high degree of importance to non-interrupted communications with shareholders, especially direct dialogue with them at the Company's annual general meetings. Shareholders are encouraged to actively participate in such meetings. Members of the Board, including the Deputy Chairman and INEDs, and representatives of KPMG were present at the Company's 2015 annual general meeting held on 27 May 2015 to address to questions and comments raised by shareholders.

In addition, the Company also provided further information on the 2015 annual general meeting in a circular to shareholders. This includes background information to the proposed resolutions and information on the retirement and re-election of directors in order to enable all shareholders to understand their rights at the annual general meeting and to make decisions with sufficient information.

Extraordinary General Meeting

An extraordinary general meeting was held on 18 June 2015 to approve the connected transaction of the Company. Members of the Independent Board Committee were presented at the meeting to answer questions and comments raised by shareholders.

Shareholders' Communication Policy

The Company always advocates that all its shareholders shall be provided with ready, equal and timely access to balanced and easy-to-understand information about the Company (including its financial summary, business introduction, corporate profile, introduction of corporate governance, business and contact information of investor relations), which allow the shareholders to exercise their rights in an informed manner, and also improve communications between the shareholders and the investment community with the Company.

The shareholders should direct their questions about their shareholdings to the Company's Share Registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with contact number of 2980 1333. The Company shall ensure effective and timely dissemination of information to the shareholders and the investors at all times. The shareholders and investors should direct their questions to the CEO Office by email to ir@everbright165.com or by phone to 2528 9882.

Shareholders' Rights

The general meeting is the principal opportunity and ideal venue for shareholders to meet and exchange views on the Group's business with the directors and the management. The Board therefore encourages shareholders to attend the annual general meeting, exercise their right to speak and vote, and give valuable advice on improving the Group's operational and governance matters.

Shareholders are entitled to convene an extraordinary general meeting, make any proposals at shareholders' meetings and propose a person for election as a director. Please see the detailed procedures as follows:

- **the way in which shareholders can convene a general meeting:**

Shareholder(s) representing at least 5 per cent of the total voting rights of all shareholders having a right to vote at general meetings can make a request to call a general meeting pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("the Companies Ordinance").

The request –

- (a) must state the general nature of the business to be dealt with at the meeting;
- (b) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting;
- (c) may consist of several documents in like form;

- (d) may be sent in hard copy form or in electronic form to the Company Secretary at the Company's registered office (46th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong) or by way of email to ir@everbright165.com; and
- (e) must be authenticated by the person or persons making it.

Pursuant to Section 567 of the Companies Ordinance, directors must call a general meeting within 21 days after the date on which they become subject to the requirement and the meeting so called must be held on a date not more than 28 days after the date of the notice convening the meeting. If the directors do not do so, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a general meeting pursuant to Section 568 of the Companies Ordinance, but the meeting must be called for a date not more than 3 months after the date on which the directors become subject to the requirement to call a general meeting. The Company will reimburse any reasonable expenses incurred by the shareholders requesting the meeting by reason of the failure of the directors duly to call a general meeting.

- **the procedures for making proposals at shareholders' meetings:**

The following shareholders are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

- (a) shareholders representing not less than 2.5% of the total voting rights of all shareholders who have a right to vote on the resolution at the general meeting to which the requests relate; or
- (b) not fewer than 50 shareholders who have a right to vote on the resolution at the general meeting to which the requests relate.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement of not more than 1,000 words with respect to the matter referred to in the proposal, must be deposited at the registered office of the Company (46th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong) not less than six weeks before the general meeting. The Company will take appropriate actions and make necessary arrangements, and the shareholders concerned will be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Sections 615 and 616 of the Companies Ordinance once valid documents are received.

- **the procedure for director's nomination and election by shareholders:**

If a shareholder wishes to propose a person other than a retiring director for election as a director at a general meeting, the shareholder should lodge at the registered office of the Company (46th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong) by reference to the "Procedures for Shareholders to Propose a Person for Election as a Director" posted on the website of the Company, (a) a notice signed by such shareholder (other than the proposed person) duly qualified to attend and vote at the meeting of his/her intention to propose such person for election; and (b) a notice signed by the proposed person indicating his/her willingness to be elected. The period during which the aforesaid notices may be given will be at least seven days. Such period will commence on the day after the despatch of the notice of the general meeting for which such notices are given and end no later than seven days prior to the date of such general meeting. The Company will take appropriate actions and make necessary arrangements in accordance with the requirements under Article 122 of the Articles of Association of the Company once valid notices are received, and the shareholder concerned will be responsible for the expenses incurred in giving effect thereto. Shareholders are welcome to send any written enquiries to the Board for the attention of the Company Secretary either by post to the registered office of the Company at 46th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong or by way of email to ir@everbright165.com. The Company Secretary will direct enquiries received to appropriate Board member(s) or the Chairman of the Board Committee(s) who is in charge of the areas of concern referred therein for further handling. The Board, assisted by the Company Secretary, would make its best efforts to ensure that all such enquiries are addressed in a timely manner.

Investor Relations and Communication

The Company believes that communicating with the shareholders and investors by electronic means (in particular through the Company's website) is an efficient way of delivering information in a timely and convenient manner. An "Investor Relations" section is available on the Company's website at www.everbright165.com. Information published on the Company's website is updated from time to time. Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes financial statements (annual report and interim report), results announcements, circulars, notices of general meetings, announcements and monthly return on movements in securities, etc.. The briefing materials provided in the annual general meeting and the result announcement of the Company is posted on the website of the Company as soon as possible once the materials are published. The contents published by the Company regarding to all press releases, corporate profiles, corporate structure, biographical information of the Board and the management team, service philosophy and corporate social responsibility are posted on the website of the Company. Corporate communication is provided to the shareholders in plain language and in both English and Chinese versions to facilitate shareholders' understanding. Web-casting service will be provided on the meetings announcing the interim and final results of the Company.

Investor briefings and one-on-one meetings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums etc will be available on a regular basis in order to facilitate communication between the Company, shareholders and the investment community.

Sustainable Corporate Social Responsibility

The Company attaches great importance to corporate social responsibility. The Board is committed to undertaking corporate social responsibility by strengthening relationship with its stakeholders with a view to contributing to the sustainable development of the economy, society and environment. The Company consistently supports and participates in activities that are beneficial to the community. Please refer to the "Corporate Social Responsibility Report" set out on pages 51 to 61 of this Annual Report.

Company Secretary

The Company Secretary of the Company is the Head of the Legal, Compliance and Company Secretarial Department of the Group and a full time employee of the Company who is familiar with the daily operation of the Company. The Company Secretary is responsible for advising the Board on all corporate governance matters. The directors have access to the services provided by the Company Secretary and his department. He has the relevant professional qualifications as stipulated by the Listing Rules. The Company Secretary confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training.

The Company Secretary reports to the Chief Executive Officer of the Company. The Company's Articles of Association state that the appointment and removal of the Company Secretary is a matter for the Board. Changes and appoints of Company Secretary are dealt with by a physical Board meeting rather than a written resolution.

The Company Secretary plays an important role in supporting, the Board and Board Committees by ensuring good information flow within the Board and that Board policy and procedures are followed. All Directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed. The Company Secretary also plays an essential role in the relationship between the Company and its Shareholders, including by assisting the Board in the discharge of its obligations to Shareholders pursuant to the Listing Rules. The Company Secretary also ensures that the Board and Board Committee members can access all employees, directors, agents or consultants for information, and obtain independent professionals opinion at the cost of the Company.

RISK MANAGEMENT REPORT

The Scope of Risk Management & Internal Control

The Board seeks to achieve an appropriate balance between taking risk and generating returns for shareholders and is accountable for the Company's ongoing monitoring of risk and of the internal controls. It considers the most significant risks facing the Company and the relevant risk management.

Non-executive directors (including INEDs) oversight of the risk management process is exercised through the Audit and Risk Management Committee with respect to standards of integrity, financial reporting, risk management and internal controls.

The Chief Risk Officer, who reports directly to the Audit and Risk Management Committee, has responsibility for the risk and control framework of the Company and the independent monitoring and reporting of risks and controls.

Risk Management Framework:

The Company's risk management framework is designed to support the delivery of the Company's strategic objectives.

The key principles that underpin risk management in the Company are:

- The Board and the Management Decision Committee promote a culture in which risks are identified, assessed and reported in an open, transparent and objective manner; and
- The over-riding priority is to protect the Company's long-term viability and reputation and produce sustainable, medium to long-term returns.

Risk management is embedded within all areas of the business. The Company expects individual behaviors to mirror the culture and core values of the Company. All employees share the responsibility of upholding the Company's risk and control culture and supporting effective risk management to enable the Company to deliver its strategy.

Internal Control Framework:

The Company operates a "three lines of defense" framework for managing and identifying risk.

The first line of defense against undesirable outcomes is the business function and the respective line managers. Department heads of their own business areas take the lead role with respect to implementing and maintaining appropriate controls.

Line management is supplemented by oversight functions, such as Risk Management, Operations, Finance and Accounting, Legal, Compliance and Company Secretarial, which constitute the second line of defense.

Internal Audit provides retrospective, independent assurance over the operation of controls and is the third line of defense. The internal audit program includes reviews of risk management and internal control processes and recommendations to improve the control environment.

Communication of Risk & Internal Control

Risk events are captured by the business and assessed and approved through a workflow by the second line of defense. Lessons learned from risk events can require specific reports and periodic updates. Issues can also be raised when there are control failings and inefficient processes identified or through regular continuous monitoring or deep dive reviews by the second and third line of defense teams.

The Audit and Risk Management Committee holds a regular meeting quarterly for assessing control of the Company and the effectiveness of risk management.

The Chief Risk Officer, supported by Risk Management Department and other relevant internal control departments mentioned-above, maintains the Company's risk and internal control review report, which summarizes the Company's key risks and internal control matters, key risk indicators, and identified any changes to Company's risk and internal control profile (more details on the Company's risk and internal control review, please refer to relevant page of Corporate Governance report).

The risk and internal control review report is updated quarterly and the Chief Risk Officer provides an update at each quarterly Audit and Risk Management Committee meeting where the Committee members contribute views and raise questions to ensure the risk management and internal controls are effective and in place.

Effectiveness of Financial Reporting & Listing Rule Compliance

With support and input from the External Auditors, the Audit and Risk Management Committee has considered, challenged and reviewed financial reporting of the Company, assessed whether suitable accounting policies have been adopted, whether management have been made appropriate estimates and judgments and whether disclosures in published financial statements are fair, balanced and understandable.

The compliance of meeting regulatory requirements (including the Listing Rules' Compliance) is supported by Legal, Compliance and Company Secretarial Department. The Audit and Risk Management Committee has considered and assessed the relevant regulatory compliance through the compliance review section in the quarterly risk and internal control review report. The compliance review has summarized the status of regulatory and compliance matters, corrective actions and the recommendation to the Committee for the enhancements of the relevant compliance matters.

In regard to the above, the Audit and Risk Management Committee has considered the Company's processes for financial reporting and Listing Rules' Compliance is effective.

Process of Assessment and Management of Significant Risks

Chief Risk Officer, supported by Risk Management Department, reviews the business of the Company in order to ensure that business risks are considered, assessed and managed as integral part of the business. There is an ongoing process for identifying, evaluating and managing the Company's significant risks.

The Company's risk assessment process includes the monitoring of key strategic and financial metrics considered to be indicators of potential changes in its risk profile. In addition, the Company reviews the impact of any changes and developments on its risk profile, strategic delivery and reputation quarterly.

Additionally, the risk assessment is conducted using a top down approach that is complemented by a bottom up assessment process. The top down approach considers the external environment and the strategic planning process to identify the most consequential and significant risks to the Company. The bottom up approach ensures a comprehensive risk assessment process that identifies and priorities key risks; analyses data to verify key trends; and provide management with a view of events that could impact the achievement of business and process objectives.

The Company uses the above to identify a number of significant risks. It then evaluates the impact and likelihood of each significant risk, with reference to associated measures and key performance indicators. The adequacy of the risk mitigations plans is then assessed and, if necessary, additional actions are agreed and then reviewed.

Main Features of Risk Management and Internal Control

Terms of Reference

The Board operates within clearly defined terms of reference, and it reserves certain matters for its own consideration and decision. It has established appropriate committees, such as the Executive Committee, the Audit & Risk Management Committee, the Nomination Committee, the Remuneration Committee, the Strategy Committee, the Independent Board Committee, to oversee risk and internal control activities.

These committees also have clearly defined terms of reference. The Board and Committee processes are fundamental to the effectiveness of the Company's risk management and internal control.

Risk Management & Internal Control

The Company maintains a comprehensive risk management and internal control framework and has clearly defined procedures for identifying and escalating risk and internal control concerns throughout the organization. This framework helps the Company to safeguard client assets, protect the interests of all stakeholders and meet our statutory responsibilities as a Hong Kong listed company and parent of a number of regulated entities.

The said risk management and internal control framework also form the basis upon which the Board reaches its conclusions on the effectiveness of the Company's risk management and internal controls.

Board Responsibility on Risk Management & Internal Control

The Board has overall responsibility for the Company's system of internal control, the ongoing monitoring of risk management and internal control and reviewing their effectiveness periodically.

The system of control is designed to manage rather than eliminate the risk of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Process of Reviewing the Effectiveness of Risk Management & Internal Control

On behalf of the Board, the Audit & Risk Management Committee carried out the annual assessment of the effectiveness of the risk management and internal control during 2015, including those related to the financial reporting process. In addition, the Committee considered the adequacy of the Company's risk management arrangements in the context of the Company's business and strategy.

In carrying out its assessment, the Committee considered reports from the Chief Financial Officer, Internal Audit Department and also from our the External Auditors which enabled an evaluation of the effectiveness of the Company's risk management and internal control, and no significant failings or weaknesses were identified.

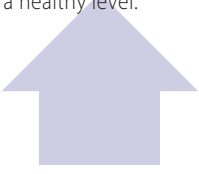
The Committee keeps under review the effectiveness of the Company's risk management arrangements and internal control through quarterly reports.

The risk and internal control review report sets out changes in the level or nature of the risks faced by the Company, developments in risk management and operational events, including significant errors and omissions (if any). The report also outlines key compliance issues and recommendations for the enhancement of regulatory risk mitigation. This independent report allowed the Committee to consider the key risks and internal control matters faced by the Company and assessments of risk tolerance. Key topics discussed by the Committee included operational, investment, regulatory, legal, counterparty credit, acquisition integration, technology and financial risks, contingent liabilities and internal controls.

Internal Audit Department review progress against a rolling plan of audits approved by the Committee, and report the significant findings from audits and their subsequent remediation, and recommendations to improve the control environment to the Committee periodically. The Committee has authority to appoint or remove the Department Head of Internal Audit, who reports directly to the Committee. The Committee is accountable for approving the objectives set by the Department Head of Internal Audit, appraising his/her performance against those objectives and for recommending his/her remuneration to the Company. The Committee also has responsibility for approving the Internal Audit budget and being satisfied that the Internal Audit function has appropriate resources and continues to be effective.

Review of Key Risks

The following table on the following pages summaries the key risks and uncertainties that are inherent within both the Company's business model and the market in which we operate along with the high level controls and processes through which we aim to mitigate them. The risk factors mentioned below do not purport to be exhaustive as there may be additional risks that the Company has not yet identified or has deemed to be immaterial that could have a material adverse effect on the business.

Key Risk	Changes in 2015	Mitigating factors
Financial		
Liquidity Risk Risk of failing to meet the Company's contractual or payment obligations in a timely manner.	The Company has continued to hold sufficient cash balances to fulfill its obligations under normal or stressed environment. 	- The Company's cash position, available facilities and forecast cash flows are closely monitored by Finance Department and under the oversight of Risk Management Department. - Finance Department and Risk Management Department perform long term forecasts and use of stress tests to assess the Company's future liquidity and short term forecasts to closely monitor any change in liquidity need.
Financial Leverage Risk - Key risk that arises from high financial leverage occurs when a company's return on asset does not exceed the interest on the loan, which greatly diminishes a company's return on equity and profitability. - Additionally, high financial leverage may raise the risk of failing to fulfill the relevant requirements form loan covenants (if any) and resulting in technical default.	Higher financial leverage as a result of the increasing demand on capital for new investments, yet it is still within a healthy level. 	- The Company has projected the firm-wide cash flows, return and profitability at least annually. After consideration from the perspective on financial control and risk management, the Management advises the Board regarding the optimized financial leverage ratio and relevant limits for approval. - The approved financial leverage ratio and relevant limits are closely monitored by Finance Department and Risk Management Department regularly.

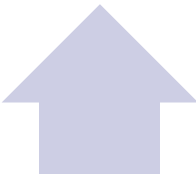
Key:  Risk level increased  Risk level decreased  No significant change in risk level

Key Risk	Changes in 2015	Mitigating factors
Foreign Currency Risk Risk that the Company's financial position is exposed to adverse movements in exchange rates.	Depreciation of RMB during the year has direct or indirect negative impact on the Company's financial position as majority of our assets are invested in RMB.	- Monitor asset exposures by currency regularly and the foreign currency rate movement. - Perform sensitivity analysis on the effect of change in foreign currency rates.
Interest Rate Risk Change of the interest rate will have negative impact on the Company and its relevant portfolios if there is an interest rate mismatch of the assets and liabilities.	Cost of borrowing started to increase slightly with the gradual increase in the interest rate of USD/HKD.	Monitoring on interest rate mismatch and sensitivity test are performed regularly.
Investment		
Market Risk Risk arises from market movements, which can cause a fall in the value of investments.	Market risk was increased due to the increased market volatility in China and Hong Kong during the year.	- Limits on the aggregate amount of seed capital investment and diversification of the assets invested. - The Company actively develops businesses which are fee bases so that our return and profitability are not solely calculated by reference to the market value of investments and AUM.

Key:  Risk level increased

 Risk level decreased

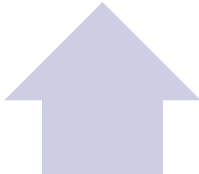
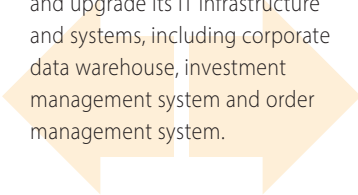
 No significant change in risk level

Key Risk	Changes in 2015	Mitigating factors
Credit Risk • Risk exposed to credit losses if borrowers are unable to repay loans and outstanding interest and fees. • In addition, the Company has exposure to counterparties with which we place deposits or trades, and derivative contracts.	• The Company's provision on loan increased slightly due to the adverse economic environment in China but was still kept at a reasonable level. • Our counterparty risks are broadly unchanged. 	We seek to minimize our credit risk from our lending by:– • Lending on a majorly secured basis with significant emphasis placed on the underlying security. • Manage to maintain consistent and conservative loan to value ratios and short-term tenor. • Operating strong control and governance both within business units and with oversight by Risk Management Department. Our exposures to counterparties are mitigated by:– • Seeking to diversify our exposures across different counterparties. • Continuous monitoring of credit quality of our counterparties within approved set limits.
Operational		
Operational Risk • Risk of losses through inadequate or failed internal processes, people or systems or through external events.	• The Company newly setup an Operations Department in 2015 to enhance the identification, control and management on operational risks. 	• Our control systems are designed to ensure operational risk(s) are mitigated to an acceptable level. • Three lines of defense model abovementioned is key point. • Risk and Control Assessments are used to identify and assess key operational risks. Associated controls are assessed with regard to their design and performance. Where required, processes and controls are enhanced to improve the control environment. • We manage risk events through identification, reporting and resolution with the aim of preventing risk events from recurring.

Key:  Risk level increased

 Risk level decreased

 No significant change in risk level

Key Risk	Changes in 2015	Mitigating factors
Legal and Regulatory Risk - Changes to the existing legal, regulatory and tax environments and failure to comply with existing requirements may materially impact the Company. - Failing to treat customers fairly, safeguard client assets or provide advice/products contrary to clients' best interest may damage our reputation and may lead to legal or regulatory sanctions including litigation and customer redress. This applies to current, past and future business.	The changes in legal and regulatory requirements in recent years lead to additional reporting requirements, operational complexity and cost to the Company. 	- Legal, Compliance and Company Secretarial Department tracks legal and regulatory developments to ensure the Company is prepared for both local and global changes. In addition to developing policies, delivering training and performing monitoring checks, they provide advice to other departments to ensure compliance with legal and regulatory requirements. They also work with project groups to implement key regulatory changes. - Governance and control processes to review and approve new funds/products. - Training for relevant staff regarding the legal and regulatory requirements for running the Company's businesses. - Continuous monitoring of key legal, regulatory and tax developments to anticipate their potential impact.
Information Technology Risk Risk of failure to keep up with changing customer expectations or manage upgrades to existing technology may impact the Company performance.	The Company continued to invest and upgrade its IT infrastructure and systems, including corporate data warehouse, investment management system and order management system. 	- The Company continues to invest in its IT infrastructure, data management system, reporting system and other software/systems. - We have strong governance in place to oversee our major IT projects. - We have in place business continuity and disaster recovery plans.

Key:  Risk level increased

 Risk level decreased

 No significant change in risk level

Key Risk	Changes in 2015	Mitigating factors
Loss of Key Personnel Risk Risk of failure to recruit or retain appropriately skilled and experienced staff may have a material adverse effect on the Company's operations and implementation of its strategy.	Annual staff turnover generally has no significant change in 2015. 	- The Company seeks to encourage performance and maintain loyalty through appropriate remuneration and benefit packages, which includes a significant deferred element. - Appraisals and remuneration are designed to develop, attract, motivate and retain staff. - Succession plans are in place to ensure there is cover for key roles should they become vacant. - Contracts for relevant roles have restrictive covenants and enhanced notice periods are in place for key staff. - Comprehensive training is offered to all staff. - We have teams with complementary skill sets and this team based approach seeks to avoid reliance on any one individual. - The Company's strategy is disseminated through all levels of the organization, so each business area can engage with our targets of growth.
Reputational		
Operational Risk - Risk that negative publicity regarding the Company will lead to client redemptions and a decline in AUM and revenue. - The risk of damage to the Company's reputation is more likely as a result from one of the other key risks materializing rather than as a standalone risk.	The Company's brand continued to strengthen in recent years as evidenced by positive feedback from clients, increasing AUM and social recognition. 	- High standards of conduct and a principled approach to regulatory compliance are integral to our Corporate culture and values. We consider key reputational risks when initiating changes in strategy or operating model. - Reputational risk is primarily mitigated through the effective mitigation of the other key risks. - Our risk appetite, risk and compliance policies, governance structures and reward mechanism include significant focus on issues and behaviors that could positively affect the Company's reputation.

Key:  Risk level increased

 Risk level decreased

 No significant change in risk level

DIRECTORS' REPORT

The board of directors hereby presents the Annual Report together with the audited financial statements of China Everbright Limited ("the Company") and its subsidiaries (collectively "the Group") for the year ended 31 December 2015.

Principal Activities and Business Review

The Group is principally engaged in investment holdings and the provision of financial services. The principal activities of the subsidiaries are set out in note 16 to the financial statements. Further discussion and analysis of these activities and business review as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 23 to 49, the Risk Management Report set out on pages 84 to 91, and the Corporate Social Responsibility Report set out on pages 51 to 61 respectively of this Annual Report. These discussion forms part of this Directors' Report.

Turnover and Contribution to Group Results

The turnover and contribution to operating results of the Group by activity and geographical location are set out in note 42 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2015 are set out on page 110 of this Annual Report.

The directors recommend the payment of a final dividend of HK\$0.5 per share for the year ended 31 December 2015 (2014: HK\$0.33 per share).

Major Customers and Suppliers

Turnover from operations represents the aggregate of service fee income, interest income, dividend income, gross rental income, rental income from finance lease and gross sale proceeds from disposal of trading securities of secondary market investments. Accordingly, it is not practical to state the percentage of the sales attributable to the Group's largest customers and percentage of the purchases attributable to the Group's largest suppliers.

None of the directors, their associates or any shareholder holding more than 5% of the Company's issued share capital has an interest in the share capital of any of the five largest suppliers.

Financial Summary

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 193 of this Annual Report.

Property, Plant and Equipment

Movements in property, plant and equipment are set out in note 15 to the financial statements.

Properties

Particulars of major properties held by the Group as at 31 December 2015 are set out on page 194 of this Annual Report.

Charitable Donations

Charitable donation made by the Group for the year ended 31 December 2015 amounted to HK\$6,153,000.

Subsidiaries and Associates

Details of the Company's principal subsidiaries and associates as at 31 December 2015 are set out in notes 16 and 17 to the financial statements respectively.

Bank Loans

Particulars of bank loans of the Company and the Group as at 31 December 2015 are set out in note 26 to the financial statements.

Share Capital

Details of the movement in share capital of the Company during the year are set out in note 31 to the financial statements.

Purchase, Sale or Redemption of Listed Securities

There were no purchases, sales or redemptions of the Company's listed securities by the Company during the year.

Reserves

Distributable reserves of the Company as at 31 December 2015 as calculated under the Companies Ordinance amounted to approximately HK\$981,450,000 (2014: approximately HK\$926,839,000). The movement in the Company's reserves are set out in note 33 to the financial statement.

Borrowings and Interest Capitalised

Bank loans and overdrafts repayable within one year or on demand are classified as current liabilities in the financial statements. Bank loans repayable over one year are classified as non-current liabilities. No interest was capitalised by the Group during the year.

Equity-Linked Agreements

Save as disclosed in this Annual Report, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

Connected Transaction

On 17 June 2015, a limited partnership agreement (the "Limited Partnership Agreement") was entered into between, among others, 宜興光控投資有限公司 and 光控滙領投資(上海)有限公司 as the general partners (being wholly owned subsidiaries of the Company), 光控廣域投資(上海)合夥企業(有限合夥) (being a non-wholly owned subsidiary of the Company) and Sun Life Everbright Life Insurance Company Limited ("Sunlife Everbright") (being an associate of the controlling shareholder of the Company) as the limited partners for the purpose of the establishment of 上海安帝投資中心(有限合夥) (the "Partnership"). The Partnership was registered in the PRC as a limited partnership whose principal business is equity investment in aircraft engine development industries.

The total capital commitments of the Partnership shall be RMB610,000,000, among which: (i) RMB210,000,000 shall be contributed by the Group; (ii) RMB200,000,000 shall be contributed by Sunlife Everbright; and (iii) RMB200,000,000 shall be contributed by an independent third party.

China Everbright Group Ltd. ("CE Group"), through its wholly owned subsidiary, is interested in approximately 49.74% of the total issued share capital of the Company and is a controlling shareholder of the Company. CE Group is interested in 50% of the equity interest of Sunlife Everbright and therefore Sunlife Everbright is an associate of CE Group under the Listing Rules. Accordingly, Sunlife Everbright is a connected person of the Company pursuant to the Listing Rules and the entering into of the Limited Partnership Agreement constituted a connected transaction of the Company.

The above transaction was subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under the Listing Rules.

Continuing Connected Transaction

Set out below is the information in relation to certain continuing connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcements of the Company and are required under the Listing Rules to be disclosed in the annual report and financial statements of the Company.

Upon completion of the restructuring of CE Group on 14 May 2015, CE Group became holder of 100% of the equity interest in China Everbright Holdings Company Limited ("CE Hong Kong"). CE Hong Kong is the indirect controlling shareholder of the Company which indirectly holds approximately 49.74% equity interest in the Company. Accordingly, CE Group is now a controlling shareholder of the Company, and thus CE Group and its associates have become connected persons of the Company upon completion of the CE Group restructuring. As a result, the ongoing arrangements between the Group and CE Group and its associates entered into prior to the completion of the CE Group restructuring (including, among other things, deposit services, asset management services, brokerage services and custodian services) have become continuing connected transactions of the Company.

(1) Deposit Services

CE Group through its associate China Everbright Bank ("CE Bank"), provides deposit services to the Group, including current and fixed term deposits. Upon completion of the restructuring of CE Group on 14 May 2015, such deposit services have become continuing connected transactions of the Company. The deposit services are subject to the standard terms and conditions of CE Group and its associates. The Company monitors the ongoing transaction amounts of the Deposit Services and setting out that the aggregate maximum daily bank balance maintained with CE Bank to be lower than the annual cap calculated with reference to 5% of the relevant applicable percentage ratios in accordance with the Listing Rules. In particular, the annual cap for the transactions of Deposit Services was calculated daily with reference to 5% of the lower of total market capitalization and total assets of the Company and during the year ended 31 December 2015, none of the daily aggregate bank balance maintained with CE Bank exceed the annual cap calculated at 5% of the relevant applicable percentage ratios.

(2) Other Services

On 14 May 2015, the Company entered into the following framework agreements (collectively the "Framework Agreements") with CE Group setting out the basis upon which members of the Group to carry out the transactions contemplated under the Framework Agreements with CE Group and/or its associates for the three financial years ending 31 December 2017. The duration of the Framework Agreements commenced on 14 May 2015 and will expire on 31 December 2017. CE Group, being the controlling shareholder of the Company, is a connected person of the Company under the Listing Rules and therefore the entering into of the Framework Agreements by the Company and the transactions contemplated under the Framework Agreements constitute continuing connected transactions of the Company under the Listing Rules.

(a) Finance Lease Services

Although the Group has not yet provided any finance lease services to CE Group, the Group has begun to leverage on its resources, including business connections and expertise, to develop finance leasing business with CE Group.

Material terms:

- The Group shall provide finance leasing to relevant members of CE Group in respect of assets to be set out in each individual agreement by the parties thereto, by means of the Group acquiring assets from CE Group and leasing them back to CE Group.
- The finance leasing provided shall be on normal commercial terms which are arrived at upon arm's length negotiations and are no less favourable than those available to similar or comparable independent third parties.
- The finance lease services provided under the Finance Lease Framework Agreement shall be non-exclusive. CE Group is at liberty to obtain finance lease services from third parties and the Group is at liberty to provide third parties with finance lease services.

The annual cap for the transactions under the Finance Lease Services Framework Agreement for the year ended 31 December 2015 and two years ending 31 December 2016 and 31 December 2017 are all set at HK\$4,000,000,000. There were no relevant transactions during the year ended 31 December 2015.

(b) Asset Management Services

The Group provides asset management services (including investment advisory services) to relevant members of CE Group.

Material terms:

- The Group shall provide asset management services (including investment advisory services) to CE Group in respect of assets in the asset management services accounts designated by CE Group.
- The asset management services (including investment advisory services) provided shall be on normal commercial terms which are arrived at upon arm's length negotiation and are no less favourable than those available to similar or comparable independent third parties offered by the Group.
- The asset management services (including investment advisory services) provided under the Asset Management Services Framework Agreement shall be non-exclusive. CE Group is at liberty to obtain asset management services (including investment advisory services) from third parties and the Group is at liberty to provide third parties with asset management services (including investment advisory services).

The annual cap for the transactions under the Asset Management Services Framework Agreement for the year ended 31 December 2015 and two years ending 31 December 2016 and 31 December 2017 are set at HK\$360,000,000, HK\$720,000,000 and HK\$1,200,000,000 respectively. The transaction amount under the Asset Management Services Framework Agreement for the year ended 31 December 2015 was approximately HK\$10,870,000.

(c) Brokerage Services

The Group places cash, equity and debt securities in brokerage accounts with CE Group and its associates, and CE Group and its associates provide brokerage and ancillary services to the Group for customers of the Group, funds established and/or managed by members of the Group as well as proprietary trading of members of the Group (where such transactions constitute continuing connected transactions of the Company under the Listing Rules) in accordance with the relevant rules and regulations, as well as custodianship of the cash, equity and debt securities.

Material terms:

- CE Group and its associates shall provide to the Group for customers of the Group, funds established and/or managed by members of the Group as well as proprietary trading of members of the Group (where such transactions constitute continuing connected transactions of the Company under the Listing Rules) brokerage and ancillary services in accordance with the relevant rules and regulations, and custodianship of the cash, equity and debt securities.
- The brokerage services provided shall be on normal commercial terms which are arrived at upon arm's length negotiations and are no less favourable than those obtained by the Group from independent third parties, and on terms no less favourable than the most favourable terms offered by CE Group and its associates to similar or comparable independent third party customers.
- The brokerage services provided under the Brokerage Services Framework Agreement shall be non-exclusive and the Company is at liberty to obtain brokerage services from third parties.

The annual cap for the transactions under the Brokerage Services Framework Agreement for the year ended 31 December 2015 and two years ending 31 December 2016 and 31 December 2017 are all set at HK\$28,000,000. The transaction amount under the Brokerage Services Framework Agreement for the year ended 31 December 2015 was approximately HK\$539,000.

(d) Custodian Services

CE Group and its associates provide custodian services to the Group, including safekeeping of assets in custodian accounts, monitoring of investment activities, and reporting. The transactions are conducted through custodian accounts opened with CE Group and its associates in the relevant Group company's name.

Material terms:

- CE Group and its associates shall provide to the Group custodian services including safekeeping of assets in custodian accounts, monitoring of investment activities, and reporting.
- The custodian services provided shall be on normal commercial terms which are arrived at upon arm's length negotiations and are no less favourable than those obtained by the Group from independent third parties, and on terms no less favourable than the most favourable terms offered by CE Group and its associates to similar or comparable independent third party customers.
- The custodian services provided under the Custodian Services Framework Agreement shall be non-exclusive and the Company is at liberty to obtain custodian services from third parties.

The annual cap for the transactions under the Custodian Services Framework Agreement for the year ended 31 December 2015 and two years ending 31 December 2016 and 31 December 2017 are all set at HK\$28,000,000. The transaction amount under the Custodian Services Framework Agreement for the year ended 31 December 2015 was approximately HK\$225,000.

Reviewed by independent non-executive directors and the auditors

The independent non-executive directors had reviewed the above continuing connected transactions and confirmed that the transactions were:

- (a) entered into in the ordinary and usual course of business of the Group;
- (b) conducted on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and
- (c) entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Directors

The directors of the Company during the year and up to the date of this Annual Report are as follows:

Executive Directors:

Mr. Tang Shuangning, Chairman
 Dr. Liu Jun, Deputy Chairman
 Mr. Chen Shuang, Chief Executive Officer
 Mr. Tang Chi Chun, Richard, Chief Financial Officer
 Mr. Jiang Yuanzhi, Chief Investment Officer

Non-executive Director:

Mr. Wang Weimin

Independent Non-executive Directors:

Mr. Seto Gin Chung, John
 Dr. Lin Zhijun
 Dr. Chung Shui Ming, Timpson

The Company has received an annual confirmation of independence from each of three independent non-executive directors pursuant to Rule 3.13 of the Listing Rules and the Company considers all the INEDs to be independent.

According to Articles 120 and 121 of the Company's Articles of Association, one-third of the directors (who have been longest in office) shall retire from office by rotation at every annual general meeting of the Company provided that every director shall retire once every three years. A retiring director shall be eligible for re-election.

In addition, according to Article 87 of the Company's Articles of Association, any director appointed by the board either to fill a casual vacancy or as an addition to the board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting.

In accordance with Articles 120 and 121, Mr. Tang Shuangning, Mr. Tang Chi Chun, Richard and Dr. Chung Shui Ming, Timpson being directors who have been longest in office since their last re-election, shall retire by rotation. All of them being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Director of Subsidiaries

The name of persons who has served on the board of the subsidiaries of the Company during the year and up to the date of this report are available on the Company's website under "Investor Relations" columns.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2015, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares of equity derivatives and debentures of the Company or its associated corporations (as defined by Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register of directors' and chief executives' interests and short positions required to be maintained under section 352 of the SFO are as follows:

1a. Long position in shares of the Company:

Name of director	Total	Personal interest	Family interest	Corporate interest	% of total issued Shares
Tang Chi Chun, Richard	719,000	719,000	–	–	0.04
Chung Shui Ming, Timpson	50,000	50,000	–	–	0.00

1b. Long position in shares of associated corporation of the Company, namely China Everbright International Limited ("CEIL"):

Name of director	Total	Personal interest	Family interest	Corporate interest	% of total issued Shares
Chen Shuang	400,000	400,000	–	–	0.01

1c. Long position in shares of associated corporation of the Company, namely China Aircraft Leasing Group Holdings Limited ("CALC"):

Name of director	Total	Personal interest	Family interest	Corporate interest	% of total issued Shares
Chen Shuang	200,000	200,000	–	–	0.03

2. Long position in underlying shares of equity derivatives of the Company: Nil

3. Long position in underlying shares of equity derivatives of associated corporations of the Company, namely CALC:

Name of directors	Capacity/nature of interest	Number of underlying shares held	Approximately % of issued shares
Chen Shuang	beneficial owner	200,000 (Note)	0.03
Tang Chi Chun, Richard	beneficial owner	200,000 (Note)	0.03

Note: These interests represented the interests in underlying shares in respect of the share options granted by CALC to its directors of CALC pursuant to its Post-IPO Share Option Scheme.

As at 31 December 2015, save as disclosed herein, none of the directors and chief executives of the Company had interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporation defined under the SFO as recorded in the register of directors' and chief executives' interests and short positions.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in this Annual Report, no transactions, arrangements or contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Service Contracts

No director offering for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the employing company within one year without payment of compensation other than the normal statutory compensation.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' and Other Persons' Interest and Short Positions in Shares and Underlying Shares

The Company has been notified of the following interests in the Company's issued shares at 31 December 2015 amounting to 5% or more of the ordinary shares in issue:

	Capacity	Nature of interest	Long position in ordinary shares held and percentage of total issued shares	Short position in ordinary shares held and percentage of total issued shares	Lending pool in ordinary shares held and percentage of total issued shares
Central Huijin Investment Limited ("Huijin Limited") (note (1))	Interest of controlled corporation	Corporate interest	838,306,207 Approximately 49.74%	–	–
China Everbright Group Ltd. ("China Everbright Group") (note (2))	Interest of controlled corporation	Corporate interest	838,306,207 Approximately 49.74%	–	–

Notes:

- (1) Huijin Limited is indirectly wholly-owned by the State Council of the People's Republic of China and holds 55.67% equity interest of China Everbright Group.
- (2) China Everbright Group holds 100% of the issued shares of China Everbright Holdings Co. Ltd. ("CE Hong Kong"). CE Hong Kong holds (1) 100% of the issued shares of Datten Investments Limited ("Datten") which in turn holds 100% of the issued shares of Honorich Holdings Limited ("Honorich") and (2) 100% of the issued shares of Everbright Investment and Management Limited ("EIM"), respectively. Out of the 838,306,207 ordinary shares, 832,273,207 ordinary shares are held by Honorich. The remaining 6,033,000 ordinary shares are held by EIM. Accordingly, China Everbright Group is deemed to be interested in 832,273,207 ordinary shares held by Honorich and 6,033,000 ordinary shares held by EIM.

Save as disclosed above, as at 31 December 2015, the directors were not aware of any other persons who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Permitted Indemnity Provision

The Articles of Association of the Company provides that subject to provisions of the Companies Ordinance, every director or other officer of the Company, shall be indemnified out of the asset of the Company against all cost, charges, expenses, losses and liabilities which he or they may sustain or incur in or about the execution of his or their office or otherwise in relation thereto.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the directors and other officers of the Company and its subsidiaries.

Competing Interest

As at the date of this annual report, and as far as the directors are aware, none of the directors or their respective associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interest with the Group.

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.

For further details, please refer to the section on "Corporate Governance Report".

Audit and Risk Management Committee

During the year, the Audit and Risk Management 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 Audit and Risk Management 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 2015. The terms of reference of the Audit and Risk Management Committee and a summary of the duties discharged in 2015 have been set out in the section on "Corporate Governance Report".

Retirement Schemes

The Company provides retirement benefits to all local eligible employees under an approved defined contribution provident fund ("the ORSO Scheme"). The ORSO Scheme is administered by trustees, the majority of whom are independent, with its assets held separately from those of the Company. The ORSO Scheme is funded by contributions from employees and employers at 5% each based on the monthly salaries of employees. Forfeited contributions may be used to reduce the existing level of contribution by the Company.

Since 1 December 2000, the Group has also operated a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the ORSO Scheme. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a monthly relevant income cap of HK\$30,000.

The employees of the subsidiaries of the Group established in the People's Republic of China are members of the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a percentage of their payroll to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is the required contributions under the schemes.

The Group's total contributions to these schemes charged to the consolidated income statement during the year ended 31 December 2015 amounted to approximately HK\$2.4 million.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

Other Information

Final Dividend

The Board has resolved to recommend the payment of a final dividend of HK\$0.5 per share for the year ended 31 December 2015 (2014: HK\$0.33 per share). Together with the interim dividend of HK\$0.25 per share already paid, the aggregate dividend for the year is HK\$0.75 per share (2014: HK\$0.48 per share).

The final dividend, subject to shareholders' approval at the forthcoming annual general meeting, is expected to be paid on or about Wednesday, 22 June 2016 to those shareholders whose names appeared on the register of members of the Company on Monday, 6 June 2016.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 12 May 2016 to Wednesday, 18 May 2016, both days inclusive, during which no transfer of shares will be registered. Shareholders are reminded that, in order to qualify for attendance of the annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration at the Company's Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 11 May 2016.

The register of members of the Company will also be closed from Thursday, 2 June 2016 to Monday, 6 June 2016, both days inclusive, during which no transfer of shares will be registered. Shareholders are reminded that, in order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration at the Company's Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 1 June 2016.

Loan Facilities with Covenants Relating to Specific Performance of the Controlling Shareholder

On 6 November 2013, the Company entered into a facility letter pursuant to which an independent third party bank agreed to grant (i) a revolving loan and term loan of up to HK\$300 million (or its equivalent in the United States dollars) and (ii) an uncommitted revolving loan and term loan of up to HK\$1.2 billion (or its equivalent in the United States dollars) for a period of three years from the signing date of the said facility letter. Under the said facility letter, it will be an event of default if China Everbright Holdings Company Limited ("CEHCL") ceases to have the single largest shareholding interest in the Company. Upon the occurrence of the above event, the said facilities together with all accrued interest and any other amounts accrued under the said facilities may become immediately due and payable.

On 12 September 2014, the Company entered into a facility agreement pursuant to which a syndicate of banks agreed to grant a four-year transferable term loan facility in an aggregate principal amount of US\$150 million. Under the said facility agreement, it will be an event of default if CEHCL (i) does not or ceases to beneficially own, directly or indirectly, at least 45% of the total issued share capital of the Company or (ii) is not or ceases to be the largest controlling shareholder of the Company. If an event of default under the said facility agreement occurs, the agent acting for the lending banks may, and shall if so directed by two-thirds of the lending banks, by written notice to the Company terminate the facilities and/or declare that all or part of the loans made under the facilities together with accrued interest and all other amounts accrued or outstanding under the said facility agreement be immediately due and payable.

On 30 September 2014, the Company entered into a facility agreement pursuant to which an independent third party bank agreed to grant a term loan of up to 150 million Singapore dollars for a term not exceeding 3 years. Under the said facility agreement, it will be an event of default if (i) CEHCL ceases to beneficially own, directly or indirectly, not less than 45% of the total issued share capital of the Company; or (ii) CEHCL ceases to be beneficially wholly-owned, directly or indirectly, by a state body of the People's Republic of China. If an event of default under the said facility agreement occurs, the bank may by notice to the Company terminate the facilities and/or declare that all or part of the loans made under the facilities together with accrued interest and all other amounts accrued or outstanding under the said facility agreement be immediately due and payable.

On 12 June 2015, the Company entered into a facility letter pursuant to which an independent third party bank agreed to grant a revolving and term loan of up to HK\$1 billion (or its equivalent in the United States dollars or Renminbi) for a period of three years from the signing date of the said facility letter. Under the said facility letter, it will be an event of default if CEHCL ceases to be the single largest shareholder of the Company. Upon the occurrence of the above event, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 12 June 2015, the Company entered into another facility letter pursuant to which an independent third party bank agreed to grant a term loan of up to HK\$400 million for a period of three years from the signing date of the said facility letter. Under the said facility letter, it will be an event of default if CEHCL (i) ceases to beneficially own, directly or indirectly, at least 45% of the total issued share capital of the Company or (ii) ceases to be the single largest shareholder or maintain management control of the Company or (iii) ceases to be beneficially wholly-owned, directly or indirectly, by a state body of the People's Republic of China. Upon the occurrence of any of the above events, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 4 December 2015, a wholly owned subsidiary of the Company as borrower, the Company as guarantor entered into a facility agreement with an independent third party bank as lender for an uncommitted term loan of up to HK\$1 billion (or its equivalent in the United States dollars) for a period of 36 months from the date of the said facility agreement. Under the said facility agreement, it will be an event of default if CEHCL (i) ceases to beneficially own at least 45% of the total issued share capital of the Company or (ii) ceases to be the single largest shareholder or maintain management control of the Company or (iii) ceases to be beneficially wholly-owned, directly or indirectly, by a state body of the People's Republic of China. Upon the occurrence of any of the above events, the facilities under the said facility agreement together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 16 December 2015, the Company as borrower entered into a facility agreement with an independent third party bank as lender for a term loan of up to US\$80 million (or in equivalent Hong Kong dollars) for a period of 36 months from the date of the said facility agreement. Under the said facility agreement, it will be an event of default if CEHCL (i) ceases to beneficially own, directly or indirectly, at least 40% of the total issued share capital of the Company or (ii) ceases to be beneficially wholly-owned, directly or indirectly, by a state body of the People's Republic of China. Upon the occurrence of any of the above events, the facilities under the said facility agreement together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 18 December 2015, the Company as borrower entered into a supplemental facility letter with the lender named therein pursuant to which such lender will continue to provide a committed revolving loan and/or standby letters of credit of up to US\$50 million (or its equivalent in Hong Kong dollars) to the Company for a term up to 31 December 2016. Under the said facility letter, it will be an event of default if CEHCL ceases to be the single largest shareholder of the Company or ceases to maintain management control of the Company. Upon the occurrence of any of the above events, the facilities together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 18 December 2015, the Company as borrower entered into a supplemental facility letter with the lender named therein pursuant to which such lender will continue to provide a committed revolving loan of up to US\$220 million (or its equivalent in Hong Kong dollars or Renminbi) to the Company for a term up to 19 December 2016. Under the said facility letter, it will be an event of default if CEHCL ceases to be the single largest shareholder of the Company or ceases to maintain management control of the Company. Upon the occurrence of any of the above events, the facilities together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 18 December 2015, the Company as borrower entered into a supplemental facility letter with the lender named therein pursuant to which such lender will continue to provide a committed term loan of up to US\$120 million (or its equivalent in Hong Kong dollars) to the Company for a term up to 30 March 2017. Under the said facility letter, it will be an event of default if CEHCL ceases to be the single largest shareholder of the Company or ceases to maintain management control of the Company. Upon the occurrence of any of the above events, the facilities together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 18 December 2015, the Company as borrower entered into a supplemental facility letter with the lender named therein pursuant to which such lender will continue to provide an uncommitted revolving loan of up to US\$150 million (or its equivalent in Hong Kong dollars) to the Company for a term up to 30 March 2017. Under the said facility letter, it will be an event of default if CEHCL ceases to be the single largest shareholder of the Company or ceases to maintain management control of the Company. Upon the occurrence of any of the above events, the facilities together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 18 December 2015, the Company as borrower entered into a facility letter with an independent third party bank as lender for an uncommitted revolving loan facility of up to US\$300 million (or in equivalent Hong Kong dollars or Renminbi) for a period of 2 years from the date of acceptance of the said facility letter. Under the said facility letter, it will be an event of default if CEHCL ceases to be the single largest shareholder of the Company. Upon the occurrence of the above event, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 18 December 2015, a wholly owned subsidiary of the Company as borrower, the Company as guarantor entered into a facility agreement with a syndicate of banks for a term loan of up to US\$200 million (or its equivalent in Hong Kong dollars or Renminbi) for a period of 36 months from the date of the said facility agreement. Under the said facility agreement, it will be an event of default if CEHCL ceases to maintain its stance as the single largest shareholder to exercise management control in the Company. Upon the occurrence of the above event, the facilities under the said facility agreement together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

As at 31 December 2015, the circumstances giving rise to the obligations under Rules 13.18 of the Listing Rules continued to exist.

Auditors

KPMG will retire at the forthcoming annual general meeting and will not seek for re-appointment.

The Board has resolved to recommend the appointment of Ernst & Young as the new auditors of the Company following the retirement of KPMG and such proposed appointment is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

By order of the Board

China Everbright Limited

Tang Shuangning

Chairman

Hong Kong, 23 March 2016

DIRECTORS AND SENIOR MANAGEMENT

Director

Mr. Tang Shuangning

Chairman

Mr. Tang Shuangning, aged 61, the Chairman of the Board of the Group. Mr. Tang is the representative of the 12th National People's Congress and the Vice-chairman of the Agriculture and Rural Affairs Committee of the 12th National People's Congress. Mr. Tang is also the Chairman of China Everbright Group Ltd., China Everbright Holdings Company Limited and China Everbright Bank Company Limited (stock code: SH 601818, HK 6818). He is also a director of Everbright Securities Company Limited (stock code: SH 601788) and Sun Life Everbright Life Insurance Company Limited and the Chairman of China Everbright International Limited (stock code: HK 257). He serves as the Vice Chairman of the China Society for Finance and Banking and the Consultant of the China Society for Investment. Prior to joining the China Everbright Group, Mr. Tang was the Vice Chairman of the China Banking Regulatory Commission, the Director-General of the Banking Supervision Department I, the Director-General of the Currency, Gold and Silver Bureau and the Director-General of the Credit Management Division of the People's Bank of China. He holds a Master's Degree in Economics from China North-east University of Finance & Economics. Mr. Tang has extensive knowledge and experience in banking and finance management. He joined the Board in July 2007.

Dr. Liu Jun

Deputy Chairman

Dr. Liu Jun, aged 44, is the Deputy Chairman of the Board of the Group and the Chairman of the Executive Committee, as well as a member of the Remuneration Committee, the Nomination Committee and the Strategy Committee of the Group. Dr. Liu is the Deputy General Manager of China Everbright Group Ltd., the Vice-chairman of China Everbright Holdings Company Limited. He is also the Vice-chairman of China Everbright International Limited (stock code: HK 257). He is the Chairman of China Everbright Industry Group Limited. Dr. Liu is a standing member of the Twelfth Committee of the All-China Youth Federation, the Vice President of the Fifth Committee of the Youth Federation of the Central Government, the Vice President of the Second Committee of All-China Financial Youth Federation, the Vice Chairman of the Thirteenth Committee of The Hong Kong Chinese Enterprises Association and the Chairman of the Second Financial Derivatives Professional Committee of National Association of Financial Market Institutional Investors. He holds a Master's Degree in Business Administration from Northeastern State University of Oklahoma U.S.A. and a Doctorate's Degree in Business Administration from the Hong Kong Polytechnic University. He holds the title of Senior Economist. He was formerly the Executive Vice President of China Everbright Bank Company Limited and the Chairman of Sun Life Everbright Life Insurance Company Limited. He joined the Board in August 2014.

Mr. Chen Shuang

Chief Executive Officer

Mr. Chen Shuang, aged 48, is a member of the Executive Committee and the Strategy Committee of the Board, the Chief Executive Officer and the Chairman of the Management Decision Committee of the Group. He is responsible for the overall operation of the Group. Mr. Chen is also an executive director and deputy general manager of China Everbright Holdings Company Limited and an executive director, Chairman & Chief Executive Officer of China Aircraft Leasing Group Holdings Limited (stock code: HK 1848). Mr. Chen was an independent director of Noah Holdings Limited (stock code: NOAH.N) from November 2010 to April 2015, was a director of Everbright Securities Company Limited (stock code: SH 601788) from August 2007 to October 2014, was a supervisor of China Everbright Bank Company Limited (stock code: SH 601818, HK 6818) from December 2007 to October 2014 and was an independent non-executive director of China Nonferrous Mining Corporation Limited (stock code: HK 1258) from June 2012 to August 2014. He is currently a non-official member of Financial Services Development Council, the Honorary Chairman of Chinese Financial Association of Hong Kong, the Vice-Chairman of Chinese Securities Association of Hong Kong and the visiting professor of East China University of Political Science and Law. Mr. Chen holds a Master of Laws Degree from East China University of Political Science and Law and a Diploma in Legal Studies from the School of Professional and Continuing Education of the University of Hong Kong. He is a qualified lawyer in the PRC and a senior economist. Prior to joining China Everbright Group, Mr. Chen was the Chief of the Legal Department of Bank of Communications. He has over 22 years of extensive experience in commercial banking and investment banking. He joined the Board in August 2004.

Mr. Tang Chi Chun, Richard

Chief Financial Officer

Mr. Tang Chi Chun, Richard, aged 54, is the Chief Financial Officer of the Group. He has overall responsibility for the financial resources planning, allocation and control. Mr. Tang is a member of Executive Committee of the Board. Mr. Tang is a Non-executive director of China Aircraft Leasing Group Holdings Limited (stock code: HK 1848). He was a director of Everbright Securities Company Limited (stock code: SH 601788) from February 2008 to January 2011. Mr. Tang is a Certified Public Accountant and is a graduate of the Accountancy Department, Hong Kong Polytechnic. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a founding member of Hong Kong Business Accountants Association. He has over 30 years of experience in audit, investment, accounting and finance. Since 1990, Mr. Tang had been engaged as head of the financial and operational functions of various international financial institutions. He joined the Group in September 2005 and joined the Board in July 2007.

Mr. Jiang Yuanzhi

Executive Director

Mr. Jiang Yuanzhi, aged 48, is the Chief Investment Officer of the Group, and a member of the Executive Committee and the Strategy Committee of the Company. Mr. Jiang was the Deputy President of China Everbright Bank Shenzhen Branch prior to joining our Group. He was formerly the General Manager of the Investment Banking Department of China Construction Bank Shenzhen Branch, the Chief Representative of China Construction Bank New York Representative Office and the Assistant General Manager of the International Business Department of China Construction Bank Guangdong Branch. He holds a Master's Degree in Business Administration from New York University Stern Business School and a Master's Degree in British Literature from Shandong University. Mr. Jiang has extensive knowledge and experience in banking and finance management. Mr. Jiang joined the Board in June 2010.

Mr. Wang Weimin

Non-executive Director

Mr. Wang Weimin, aged 56, is a non-executive director of the Company, and a member of the Strategy Committee of the Company. Mr. Wang is also the Vice President of Everbright Securities Company Limited. He was the Vice Section Chief of the Stock Trading Section of Chengdu branch of Bank of Communications, the Manager of the Stock Trading Section of Chengdu branch of Hai Tong Securities, the Manager of Human Resources Section of Hai Tong Securities and the General Manager of the Stock Trading Section of the headquarter of Hai Tong Securities. Mr. Wang holds a Master's Degree in Business Administration for Senior Managers from Shanghai Jiaotong University. Mr. Wang has extensive knowledge and rich experience in securities, financial and corporate management. Mr. Wang joined the Board in June 2008.

Mr. Seto Gin Chung, John

Independent Non-executive Director

Mr. Seto Gin Chung, John, aged 67, is an independent non-executive director and the Chairman of the Strategy Committee and Remuneration Committee of the Company. He is also a member of the Audit and Risk Management Committee and Nomination Committee. Mr. Seto is a director of Pacific Eagle Asset Management Limited. He is also an independent non-executive director of Kowloon Development Company Limited (stock code: HK 34) and the chairman and independent non-executive director of Hop Hing Group Holdings Limited (stock code: HK 47). Mr. Seto was a non-executive director of Sateri Holdings Limited (stock code: HK 1768) from 2010 to 2013. He was an independent director of Everbright Securities Company Limited, a company incorporated in PRC, from 2005 to 2007. He was the Chief Executive Officer of HSBC Broking Services (Asia) Limited from 1982 to 2001. He was a non-executive director of Hong Kong Exchanges and Clearing Limited (stock code: HK 388) from 2000 to 2003, a council member of the Stock Exchange of Hong Kong from 1994 to 2000, and was the first vice chairman of the Stock Exchange of Hong Kong from 1997 to 2000. He holds a Master of Business Administration degree from New York University, USA and has over 36 years of experience in the securities and futures industry. Mr. Seto joined the Board in April 2003.

Dr. Lin Zhijun**Independent Non-executive Director**

Dr. Lin Zhijun, aged 61, is an independent non-executive director and the Chairman of the Nomination Committee of the Company. He is also a member of the Audit and Risk Management Committee, Remuneration Committee and Strategy Committee. Dr. Lin is the Dean of the School of Business in Macau University of Science and Technology. During August 1998 to December 2014, he was a Professor and Head of the Department of Accountancy and Law in Hong Kong Baptist University. He is also an independent non-executive director of Sinotruk (Hong Kong) Limited (Stock Code: HK 3808), SpringLand International Limited (stock code: HK 1700) and Dali Foods Group Company Limited (Stock Code: HK 3799). Dr. Lin was an independent non-executive director of Zhengzhou Coal Mining Machinery Group Company Limited (stock code: HK 564) from February 2012 to April 2014. All are listed on the Stock Exchange of Hong Kong Limited. Dr. Lin holds a Master's degree in Science in Accounting from University of Saskatchewan in Canada and a Doctorate's degree in Economics (Accounting) from Xiamen University. Dr. Lin worked as a Visiting Professor in the University of Hong Kong and Tenured Professor in the Faculty of Management of Lethbridge University in Canada. Dr. Lin worked at the Toronto office of an international accounting firm (now known as "Deloitte") in 1982-1983. Dr. Lin is also a member of the American Institute of Certified Public Accountants, the Chinese Institute of Certified Public Accountants and the Australian Institute of Certified Management Accountants. He is a member of various educational accounting associations including the American Accounting Association, the International Association for Accounting Education and Research and the Hong Kong Association for Accounting Education. Dr. Lin is also an author of a series of professional articles and books. Dr. Lin joined the Board in September 2005.

Dr. Chung Shui Ming, Timpson**Independent Non-executive Director**

Dr. Chung Shui Ming, Timpson, aged 64, is a member of the National Committee of the 12th Chinese People's Political Consultative Conference. He is also the Chairman of the Advisory Committee on Arts Development. Besides, Dr. Chung is an Independent Non-Executive Director of China Unicom (Hong Kong) Limited (stock code: HK 762), Glorious Sun Enterprises Limited (stock code: HK 393), Henderson Land Development Company Limited (stock code: HK 12), Miramar Hotel and Investment Company, Limited (stock code: HK 71), China Overseas Grand Oceans Group Limited (stock code: HK 81), China Construction Bank Corporation (stock code: HK 939) and Jinmao (China) Investments Holdings Limited (stock code: HK 6139). Dr. Chung is also an Independent Director of China State Construction Engineering Corporation Limited (stock code: SH 601668). From March 2006 to March 2013, Dr. Chung served as an independent non-executive director of Nine Dragons Paper (Holdings) Limited (stock code: HK 2689). From September 2006 to January 2013, Dr. Chung served as an independent director of China Everbright Bank Company Limited (stock code: SH 601818, HK 6818). Formerly, he was the Chairman of China Business of Jardine Fleming Holdings Limited and the Deputy Chief Executive Officer of BOC International Limited. He was also the Director-General of Democratic Alliance for the Betterment and Progress of Hong Kong, the Chairman of the Council of the City University of Hong Kong, the Chairman of the Hong Kong Housing Society, a member of the Executive Council of the Hong Kong Special Administrative Region, the Vice Chairman of the Land Fund Advisory Committee of the Hong Kong Special Administrative Region, a member of the Managing Board of the Kowloon-Canton Railway Corporation, a member of the Hong Kong Housing Authority and a member of the Disaster Relief Fund Advisory Committee. Dr. Chung holds a bachelor of science degree from the University of Hong Kong and a master's degree in business administration from the Chinese University of Hong Kong. Dr. Chung also received an honorary doctoral degree in Social Science from the City University of Hong Kong in 2010. Dr. Chung is a fellow member of the Hong Kong Institute of Certified Public Accountants. Dr. Chung joined the Board in August 2012.

Senior Management

Mr. Tsang Sui Cheong, Frederick

Mr. Tsang Sui Cheong, Frederick, aged 56, is the Chief Risk Officer of the Group and a member of the Management Committee. He is in charge of the group's risk matters. Mr. Tsang is a Chartered Financial Analyst and was President of The Hong Kong Society of Financial Analysts Limited from 2012 to 2015. Currently, Mr. Tsang is a member of the Hong Kong Securities and Futures Commission's (SFC) Advisory Committee and was appointed as a member of the Securities and Futures Appeals Tribunal from 2009 to 2015. He is a holder of Bachelor's degree in Arts and Master's degree in Arts, majored in Economics and Finance. Mr. Tsang joined the Group in February 2000. He has over 31 years of experience in the financial industry.

Mr. Yin Lianchen

Mr. Yin Lianchen, aged 50, is the Chief Investment Officer of the Group and a member of the Management Decision Committee. Mr. Yin was the Officer of the Beijing Head office of China Everbright Group Limited, prior to joining our Group. He was formerly the Vice President of Beijing Yonder Environment Engineering Company Limited and the Chief Representative of China of Moody's KMV. He was the General Manager of the Human Resource and Corporate Administration Department, the Director of Corporate Communications Department and Managing Director of the Insurance Brokerage Department successively of the Group from 2002 to 2006. He was also worked for several key positions in People's Bank of China Headquarter from 1990 to 2001. Mr. Yin holds a Bachelor Degree of Management and Master Degree of Accounting from Tianjin Nankai University. Mr. Yin has rich experience in financial and corporate management. Mr. Yin joined the Group in March 2011.

Ms. Wong Tung Hung

Ms. Wong Tung Hung, aged 47, is the Chief Administration Officer of the Group and a member of Management Decision Committee, mainly responsible for management of human resources, information technology and corporate administration of the Group. She has extensive human resources and administration experience in both China and Hong Kong and has been working in the Group for more than 18 years. Ms. Wong holds a Bachelor degree in Arts from Fudan University. Prior to joining the Group, Ms. Wong worked in several well-known mass media in both China and Hong Kong.

Mr. Yang Ping

Mr. Yang Ping, age 46, is the Chief Investment Officer and the member of Management Decision Committee of the Company. He is in charge of Asset Management business of Secondary Market Investment. Previously, he was responsible for the establishment, investment and management of Macquarie Everbright Greater China Infrastructure Fund and Everbright Ashmore China Real Estate Fund. Before joining China Everbright Limited, he served as Head of the Research Institute of China Southern Securities Co. Ltd. and a Private Equity fund in China, where he was responsible for macro-industry & company research, investment of the PE fund and achieved excellent performance. The restructuring project Xiang Zhong Yi (now renamed as Hunan Investment) conducted by Mr. Yang was the first ST listed company "whole restructuring" case in China and was ranked Top Ten Influential Restructuring Case by Security News in 1999. He received a PhD degree in Economics from The Shanghai Academy of Social Sciences and Bachelor degree of Law from East China University of Political Science and Law. Mr. Yang has over 19 years' experience in securities research and asset management. Mr. Yang joined the Group in December 2007.

Company Secretary

Mr. Chan Ming Kin, Desmond

Mr. Chan Ming Kin, Desmond, aged 46, is the General Counsel and Company Secretary of the Group and in charge of Legal, Compliance and Company Secretarial Department. He is a member of the Board of Directors of Everbright Securities Company Limited (stock code: SH 601788). Mr. Chan holds a Bachelor of Laws degree and a Postgraduate Certificate in Laws of the University of Hong Kong. He also holds a Master of Corporate Governance degree of the Hong Kong Polytechnic University. As a qualified solicitor in Hong Kong, Mr. Chan has more than 20 years' experience in private practice and as an in-house counsel. Mr. Chan is also a Fellow of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA EVERBRIGHT LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Everbright Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 110 to 192, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Continuing operations			
Turnover	4	10,411,567	6,622,673
Operating income	4	2,131,905	1,687,610
Other net income	4	807,197	1,312,332
Staff costs	5	(361,783)	(274,362)
Depreciation expenses	15	(22,281)	(21,973)
Impairment loss on available-for-sale securities		(407,778)	(191,374)
Impairment loss on amount due from an investee company		–	(12,125)
Impairment loss on debtors, deposits and prepayments		–	(154,000)
Impairment loss on finance lease receivables	22	(196,295)	–
Other operating expenses		(456,174)	(547,424)
Profit from operations	6	1,494,791	1,798,684
Finance costs	7	(336,947)	(220,712)
Share of profits less losses of associates, as per the associates' financial statements	17(b)	3,205,139	1,068,934
Share of profits less losses of joint ventures, as per the joint ventures' financial statements	18(b)	(7,702)	152,222
Net gain on deemed disposal of interest in associates	17(b)	1,304,042	–
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	2(b)	58,000	33,385
Profit before taxation		5,717,323	2,972,167
Income tax	9	(452,449)	(88,896)
Profit from continuing operations		5,264,874	2,883,271
Discontinued operations			
Profit from disposal group held for sale	10	56,423	–
Profit for the year		5,321,297	2,883,271
Profit attributable to equity shareholders of the Company			
Continuing operations		5,087,571	2,559,688
Discontinued operations		56,423	–
		5,143,994	2,559,688
Non-controlling interests		177,303	323,583
Profit for the year		5,321,297	2,883,271
Basic and diluted earnings per share	14		
Continuing operations		HK\$3.019	HK\$1.514
Discontinued operations		HK\$0.033	–
		HK\$3.052	HK\$1.514

The notes on pages 117 to 192 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 12.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Profit for the year		5,321,297	2,883,271
Other comprehensive income for the year (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss			
– Net movement in investment revaluation reserve of available- for-sale securities		1,733,558	5,003,018
– Share of other comprehensive income of associates, as per the associates' financial statements		(316,245)	442,948
– Share of other comprehensive income of joint ventures, as per the joint ventures' financial statements		67,284	(1,410)
– Adjustments to share of other comprehensive income of associates and joint ventures to conform with the Group's accounting policies		(15,000)	(172,549)
– Exchange reserve		(984,731)	(292,932)
	13	484,866	4,979,075
Total comprehensive income for the year		5,806,163	7,862,346
Attributable to:			
Equity shareholders of the Company		5,369,482	7,220,633
Non-controlling interests		436,681	641,713
Total comprehensive income for the year		5,806,163	7,862,346

The notes on pages 117 to 192 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	31 December 2015 HK\$'000	31 December 2014 HK\$'000
Non-current assets			
Property, plant and equipment	15	558,034	565,022
Amount due from an associate	17(d)	18,448	–
Amounts due from investee companies	20	294,147	523,070
Investments in associates	17(a)	15,948,829	12,459,124
Investments in joint ventures	18(a)	625,047	574,328
Available-for-sale securities	19	21,753,331	19,008,521
Financial assets designated at fair value through profit or loss	20	8,881,584	7,102,424
Advances to customers	21	1,438,883	782,334
Finance lease receivables	22	62,314	–
		49,580,617	41,014,823
Current assets			
Financial assets designated at fair value through profit or loss	20	2,879,223	468,938
Advances to customers	21	2,651,101	4,109,403
Finance lease receivables	22	38,620	–
Amount due from an associate		16	19,321
Amounts due from joint ventures	18(c)	6,839	3,995
Debtors, deposits and prepayments	23	1,451,643	1,194,684
Trading securities	24	1,070,292	1,357,918
Cash and cash equivalents	25	4,688,256	4,465,289
		12,785,990	11,619,548
Assets classified as held for sale	10	2,914,436	–
		15,700,426	11,619,548
Current liabilities			
Amount due to an investee company	20	(238,800)	(78,969)
Amount due to a joint venture	18(d)	(427)	(494)
Trading securities	24	(239,144)	(327,637)
Bank loans	26	(3,170,845)	(4,996,065)
Amount due to a fellow subsidiary and shareholder	27	(1,000,000)	(500,000)
Creditors, deposits received and accrued charges	28	(1,327,476)	(1,025,892)
Other financial liabilities	35(b)	(3,038,933)	(3,234,796)
Notes payable	29	(57,000)	(27,000)
Provision for taxation	30(a)	(331,057)	(207,078)
		(9,403,682)	(10,397,931)
Liabilities classified as held for sale	10	(1,111,658)	–
		(10,515,340)	(10,397,931)
Net current assets		5,185,086	1,221,617
Total assets less current liabilities		54,765,703	42,236,440

	Notes	31 December 2015 HK\$'000	31 December 2014 HK\$'000
Non-current liabilities			
Bank loans	26	(10,283,111)	(3,589,936)
Other financial liabilities		(513,798)	–
Notes payable		–	(30,000)
Deferred tax liabilities	30(b)	(1,021,285)	(425,918)
		(11,818,194)	(4,045,854)
NET ASSETS		42,947,509	38,190,586
CAPITAL AND RESERVES			
Share capital	31	9,618,097	9,618,097
Reserves		29,748,068	25,356,033
Total equity attributable to equity shareholders of the Company		39,366,165	34,974,130
Non-controlling interests		3,581,344	3,216,456
TOTAL EQUITY		42,947,509	38,190,586

Approved and authorised for issue by the Board of Directors on 23 March 2016 and signed on behalf of the Board by:

Tang Shuangning
Director

Chen Shuang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Notes	Attributable to equity shareholders of the Company									Non-controlling interests	Total equity
		Share capital	Share premium	Option premium reserve	Investment revaluation reserve	Capital redemption reserve	Goodwill reserve	Capital reserve	Exchange reserve	Retained earnings		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 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	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	33(b)(viii)	-	-	-	(5,895)	-	-	-	-	(2,115)	(8,010)	(8,010)
Share repurchased	31(a)	(34,846)	-	-	-	34,846	-	-	-	(352,641)	(352,641)	(352,641)
Transition to no-par value regime on 3 March 2014	31(a)	7,932,843	(7,890,967)	-	-	(41,876)	-	-	-	-	-	-
Dividend paid	12	-	-	-	-	-	-	-	-	(589,839)	(589,839)	(589,839)
Profit for the year		-	-	-	-	-	-	-	-	2,559,688	2,559,688	2,883,271
Other comprehensive income for the year		-	-	-	4,952,575	-	-	-	(291,630)	-	4,660,945	4,979,075
As at 31 December 2014 and 1 January 2015		9,618,097	-	1,242	10,105,489	-	(668,499)	182,900	1,735,377	13,999,524	34,974,130	38,190,586
Net investment by non-controlling shareholders		-	-	-	-	-	-	-	-	-	(71,793)	(71,793)
Dividend paid	12	-	-	-	-	-	-	-	-	(977,447)	(977,447)	(977,447)
Profit for the year		-	-	-	-	-	-	-	-	5,143,994	5,143,994	5,321,297
Other comprehensive income for the year		-	-	-	1,581,350	-	-	(442,240)	(913,622)	-	225,488	484,866
As at 31 December 2015		9,618,097	-	1,242	11,686,839	-	(668,499)	(259,340)	821,755	18,166,071	39,366,165	42,947,509

The notes on pages 117 to 192 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	41	945,628	(2,982,224)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(16,595)	(6,650)
Proceeds from partial disposal of a joint venture		–	31,263
Decrease in deposits pledged		722,734	208,537
Purchase of available-for-sale securities		(3,293,738)	(2,657,426)
Purchase of financial assets designated at fair value through profit or loss		(6,997,526)	(3,937,566)
(Decrease)/increase in other financial liabilities		(255,176)	3,102,639
Investment in an associate		(824)	(58,773)
Proceeds from losing control of subsidiaries		164,114	407,494
Proceeds from acquisition of subsidiaries net of cash acquired		–	77,877
Purchase of disposal group held for sale		(1,392,523)	–
Loan to disposal group held for sale		(310,040)	–
Investment in joint ventures		(9,244)	(182,952)
Proceeds from disposal of available-for-sale securities		2,464,240	1,627,578
Proceeds from disposal of financial assets designated at fair value through profit or loss		3,022,980	271,006
Proceeds from disposal of an associate		5,970	–
Bank interest received		44,280	51,458
Dividend from investments in securities		887,203	665,112
Dividend from associates		155,365	28,402
Dividend from a joint venture		–	30,450
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(4,808,780)	(341,551)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(3,863,152)	(3,323,775)
FINANCING ACTIVITIES			
Issue of shares in subsidiaries to non-controlling shareholders		508,645	456,597
Redemption of shares by non-controlling shareholders		–	(9,914)
Shares repurchased		–	(352,641)
Proceeds from bank loans		10,701,805	8,839,297
Proceeds from loan from a fellow subsidiary and shareholder		500,000	–
Proceeds from notes payable		–	10,000
Repayment of bank loans		(5,833,850)	(3,348,233)
Dividend paid to non-controlling shareholders		(52,418)	(734,453)
Dividends paid		(977,447)	(589,839)
NET CASH INFLOW FROM FINANCING ACTIVITIES		4,846,735	4,270,814
NET INCREASE IN CASH AND CASH EQUIVALENTS		983,583	947,039
CASH AND CASH EQUIVALENTS			
Beginning of year		3,742,555	2,833,707
Exchange rate adjustments		(37,882)	(38,191)
End of year		4,688,256	3,742,555
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash – general accounts	25	4,688,256	4,465,289
Deposits pledged	25	–	(722,734)
End of year	25	4,688,256	3,742,555

For the year ended 31 December 2015

Losing Control of Subsidiaries

During the year, the Group lost control of several subsidiaries. The fair value of assets and liabilities disposed of were as follows:

	2015 HK\$'000	2014 HK\$'000
Proceeds from losing control of subsidiaries	196,071	407,953
Less: Cash of subsidiaries	(31,957)	(459)
Net proceeds from losing control of subsidiaries	164,114	407,494
Less: Available-for-sale securities	(181,943)	–
Less: Other debtors and prepayment	(89,126)	(507,405)
Add: Creditors, deposit received and accrued charges	106,988	630
	33	(99,281)
Add: Associates exempted from applying the equity method and were recognised as a financial assets designated at fair value through profit or loss	–	100,099
Gain on losing control of subsidiaries	33	818

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Activities

China Everbright Limited (the "Company") is incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited. The directors of the Company consider China Investment Corporation, a company incorporated in PRC, to be the ultimate holding company of the Company and Honorich Holdings Limited, a company incorporated in the British Virgin Islands, to be the immediate holding company of the Company. Neither of them provides financial statements for public use.

The principal activity of the Company is investment holding. The Company, through its subsidiaries and associates, is principally engaged in investment activities and the provision of financial services.

2. Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

The measurement basis used in preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment properties (note 2(h));
- financial instruments classified as trading, financial assets designated at fair value through profit or loss, available-for-sale securities or financial liabilities designated at fair value through profit or loss (note 2(f)); and
- derivative financial instruments (note 2(g)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

Non-current assets and disposal group held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2(v)(i)).

2. Significant Accounting Policies (continued)

(b) Basis of preparation of the financial statements (continued)

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 43.

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 statement of profit or loss and consolidated statement of comprehensive income.

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

Classification of operating segment units under the Business Segment Analysis have been revised to conform to the latest business model of the Group. This classification is reported on the same basis as is used by management to analyse its business performance.

The comparative information of the above has been restated to conform to the current year's presentation.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests are presented as financial liabilities in the consolidated statement of financial position.

2. Significant Accounting Policies (continued)

(c) Subsidiaries and non-controlling interests (continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill, and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value, and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(v)(i)).

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as, when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement. Structured entities often have restricted activities and a narrow and well defined objective. Involvement with unconsolidated structured entities is disclosed in note 38.

(d) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(l)). The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest in the investee is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

2. Significant Accounting Policies (continued)

(d) Associates and joint ventures (continued)

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund and similar entities, such investment is measured at fair value through profit or loss in the Group's consolidated statement of financial position.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)).

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see note 2(l)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(v)(i)).

(e) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(l)). In respect of associates or joint ventures, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or joint venture and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 2(l)).

On disposal of a cash generating unit, an associate or a joint venture during the year, any attributable amount of purchased goodwill is included in the calculation of the gain or loss on disposal.

Goodwill on acquisitions that occurred prior to 1 January 2001 was eliminated against goodwill reserves. Such goodwill is released from goodwill reserves to retained earnings when all or part of the business to which the goodwill is related to is disposed.

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Trading debt and equity securities are acquired or incurred principally for the purpose of trading, or are part of a portfolio of identified debt and equity securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Investments in debt and equity securities are designated at fair value through profit or loss upon initial recognition when these financial instruments are managed, evaluated and reported internally on a fair value basis, or the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

2. Significant Accounting Policies (continued)

(f) Other investments in debt and equity securities (continued)

Debt and equity securities under this category are carried at fair value and are not generally allowed to be reclassified into or out of this category while held or issued. Changes in the fair value are included in the statement of profit or loss in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in the statement of profit or loss.

Other investments in debt and equity securities are classified as available-for-sale securities and are initially recognised at fair value plus attributable transaction costs. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve, except for impairment losses (see note 2(l)). As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the consolidated statement of financial position at cost less impairment losses (see note 2(l)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 2(s) (v) and (vi), respectively.

When these investments are derecognised or impaired (see note 2(l)), the cumulative gain or loss previously is reclassified from equity to profit or loss. Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(s)(iv).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(k)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(k).

2. Significant Accounting Policies (continued)

(i) Other property and equipment

The following items of property and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(l)):

- interests in leasehold land held for own use;
- buildings held for own use which are situated on leasehold land, where the fair value could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(k)); and
- other items of equipment comprising leasehold improvements, furniture, fixtures and equipment, and motor vehicles.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(j) Depreciation

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Interest in leasehold land held for own use is depreciated over the unexpired term of lease
- Buildings situated on leasehold land are depreciated over the shorter of unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of purchase
- Leasehold improvements 5 years
- Furniture, fixtures and equipment 5 years
- Motor vehicles 5 years

Where parts of an item of property and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) Leased assets

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(h)).

2. Significant Accounting Policies (continued)

(k) Leased assets (continued)

(ii) Finance lease

Where the Group is the lessor under a finance lease, the Group recognises the minimum lease payments receivable by the Group as a finance lease receivable and records the unguaranteed residual value as an asset within the same category at the commencement of the lease terms. The difference between (a) the aggregate of the minimum lease payments and the unguaranteed residual value and (b) their present value (presented in the consolidated statement of financial position as finance lease receivables) is recognised as unearned finance income. Minimum lease payments are the payments over the lease term that the lessee is or can be required to make plus any residual value guaranteed to the lessor by the lessee, or a party unrelated to the lessor.

Unearned finance income is allocated to each period during the lease term using the effective interest method that allocates each rental between finance income and repayment of capital in each accounting period in such a way that finance income is recognised as a constant periodic rate of return (implicit effective interest rate) on the lessor's net investment in the lease. Lease agreements for which the base rent is based on floating interest rates are included in minimum lease payments based on the floating interest rate existing at the commencement of the lease; any increase or decrease in lease payments that result from subsequent changes on floating interest rate is recorded as an increase or a decrease in finance lease income in the period of the interest rate change.

Initial direct costs, such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

See notes 2(m) and 2(l) for accounting policies for derecognition and impairment of finance lease receivables.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(h)).

2. Significant Accounting Policies (continued)

(I) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable date that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect of the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other current receivables, finance lease receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that had been recognised in the investment revaluation reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.
- Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in the investment revaluation reserve.
- Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

2. Significant Accounting Policies (continued)

(I) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- Property and equipment (other than properties carried at revalued amount);
- Pre-paid interests in leasehold land classified as being held under an operating lease;
- Intangible assets;
- Investments in subsidiaries, associates and joint ventures in the Company's statement of financial position; and
- Goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

2. Significant Accounting Policies (continued)**(l) Impairment of assets (continued)****(ii) Impairment of other assets (continued)***– Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(m) Accounts receivable and other receivables

Accounts receivable and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less impairment losses for bad and doubtful debts (see note 2(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(l)).

Finance lease receivables are regarded as loans and receivables for the purpose of derecognition and impairment.

(n) Accounts payable and other payables

Accounts payable and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee benefits**(i) Short term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2. Significant Accounting Policies (continued)

(p) Employee benefits (continued)

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movement in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences, respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purpose and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. Significant Accounting Policies (continued)

(q) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Dividend and interest income received by the Company or the Group may be subject to withholding tax imposed in the country of origin. Dividend and interest income is recorded gross of such taxes and the corresponding withholding tax is recognised as tax expense.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Consultancy and management fee income

Consultancy and management fee are recognised when services are rendered.

(ii) Sale of trading securities

Gains or losses on sale of trading securities are recognised on a trade date basis when the relevant transactions are executed.

2. Significant Accounting Policies (continued)

(s) Revenue recognition (continued)

(iii) Rental income from finance lease

Rental income receivable under finance leases is recognised in profit or loss using the effective interest rate implicit in the lease over the term of the lease. Contingent rent is recognised as income in the period in which it is earned.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Dividend income

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2. Significant Accounting Policies (continued)

(u) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(v) Non-current assets and disposal group held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale. The relevant asset can be classified as current asset if it meets the criteria to be classified as held for sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of profit or loss, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2. Significant Accounting Policies (continued)

(w) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. Changes in Accounting Policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

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:

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards, with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

4. Turnover, Operating Income and Other Net Income

Turnover from operations represents the aggregate of service fee income, interest income, dividend income, gross rental income, rental income from finance lease 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:

	2015 HK\$'000	2014 HK\$'000
Operating income		
Consultancy and management fee income	555,204	409,860
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	44,280	51,458
– advances to customers	400,908	350,404
– unlisted debt securities	153,813	52,335
Dividend income		
– listed investments	400,491	399,185
– unlisted investments	439,833	316,606
Net realised gain/(loss) on trading securities		
– equity securities	183,196	59,449
– debt securities	6,771	2,603
– derivatives	(6,212)	5,394
Net unrealised gain/(loss) on trading securities		
– equity securities	(67,123)	55,683
– debt securities	(1,035)	(22,653)
– derivatives	4,264	1,930
Gross rental income	6,396	5,356
Rental income from finance lease	11,119	–
	2,131,905	1,687,610
Other net income		
Net realised gain on disposal of available-for-sale securities	513,432	519,698
Net realised gain on disposal of financial assets designated at fair value through profit or loss	873,343	32,474
Net unrealised (loss)/gain on financial assets designated at fair value through profit or loss	(591,672)	685,366
Gain on losing control of subsidiaries	33	818
Reversal of impairment loss on debtors, deposits and prepayments	36,018	–
Reversal of impairment loss on amount due from an investee company	4,398	–
Realised gain on disposal of an associate	1,286	–
Realised gain on disposal of a joint venture	2,537	–
Net exchange (loss)/gain	(86,009)	285
Net (deficit)/surplus on revaluation of investment properties	(600)	5,500
Others	54,431	68,191
	807,197	1,312,332

5. Staff Costs

	2015 HK\$'000	2014 HK\$'000
Salaries, bonuses and allowances	335,318	251,820
Staff welfare and insurance	14,332	11,173
Staff training and recruitment	9,736	9,407
Pension costs – mandatory provident fund and defined contribution plans	2,397	1,962
	361,783	274,362

6. Profit from Operations

Profit from operations is stated after charging the following:

	2015 HK\$'000	2014 HK\$'000
Operating lease rentals in respect of rented premises	15,216	7,658
Auditors' remuneration	9,394	8,564
Impairment loss on goodwill	3,606	9,751

7. Finance Costs

	2015 HK\$'000	2014 HK\$'000
Interest on bank loans	336,947	220,712

Effective interest rate of bank loans was approximately 2.82% per annum as of 31 December 2015.

8. Directors' and Five Highest Paid Individuals' Emoluments

(a) Directors' emoluments:

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

For the year ended 31 December 2015

	Directors' fee HK\$'000	Salaries, allowances and benefit in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	2015 Total HK\$'000
<i>Executive directors</i>					
Tang Shuangning	-	70	-	-	70
Liu Jun	-	90	-	-	90
Chen Shuang	-	2,620	8,100	-	10,720
Tang Chi Chun, Richard	-	2,015	4,100	18	6,133
Jiang Yuanzhi	-	1,708	3,850	-	5,558
<i>Non-executive director</i>					
Wang Weimin	-	130	-	-	130
<i>Independent non-executive directors</i>					
Seto Gin Chung, John	150	215	-	-	365
Lin Zhijun	150	225	-	-	375
Chung Shui Ming, Timpson	150	239	-	-	389
	450	7,312	16,050	18	23,830

8. Directors' and Five Highest Paid Individuals' Emoluments (continued)**(a) Directors' emoluments: (continued)**

For the year ended 31 December 2014

	Directors' fee HK\$'000	Salaries, allowances and benefit in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	2014 Total HK\$'000
<i>Executive directors</i>					
Tang Shuangning	–	140	–	–	140
Liu Jun (note 1)	–	85	–	–	85
Zang Qiutao (note 2)	–	95	–	–	95
Chen Shuang	–	2,048	7,000	–	9,048
Tang Chi Chun, Richard	–	1,583	4,100	17	5,700
Jiang Yuanzhi	–	1,348	2,900	–	4,248
<i>Non-executive director</i>					
Wang Weimin	–	145	–	–	145
<i>Independent non-executive directors</i>					
Seto Gin Chung, John	150	230	–	–	380
Lin Zhijun	150	230	–	–	380
Chung Shui Ming, Timpson	150	254	–	–	404
	450	6,158	14,000	17	20,625

Note 1: Dr. Liu Jun was appointed as the Deputy Chairman and Executive director and a member of each of the Nomination Committee, Remuneration Committee and Strategy Committee of the Company on 27 August 2014.

Note 2: Mr. Zang Qiutao resigned as the Deputy Chairman and Executive director and a member of each of the Nomination Committee, Remuneration Committee and Strategy Committee of the Company on 27 August 2014.

8. Directors' and Five Highest Paid Individuals' Emoluments (continued)

(b) Five highest paid individuals' emoluments

	2015 HK\$'000	2014 HK\$'000
Salaries and other emoluments	9,672	8,200
Bonuses	27,318	26,000
Retirement scheme contributions	140	116
	37,130	34,316

	2015	2014
Number of directors	2	2
Number of employees	3	3
	5	5

Their emoluments were within the following bands:

	Number of individuals	
	2015	2014
HK\$5,000,001 to HK\$5,500,000	–	1
HK\$5,500,001 to HK\$6,000,000	2	1
HK\$6,000,001 to HK\$6,500,000	1	–
HK\$6,500,001 to HK\$7,000,000	–	1
HK\$7,000,001 to HK\$7,500,000	–	1
HK\$8,500,001 to HK\$9,000,000	1	–
HK\$9,000,001 to HK\$9,500,000	–	1
HK\$10,500,001 to HK\$11,000,000	1	–
	5	5

During the year, no emoluments were paid to the five highest paid individuals (including directors and employees) as an inducement to join the Group or as compensation for loss of office (2014: HK\$Nil).

Bonus payment is determined pursuant to incentive schemes and relevant policies of the Group.

9. Income Tax

The provision for Hong Kong profits tax is calculated at 16.5% (2014: 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 statement of profit or loss represents:

	2015 HK\$'000	2014 HK\$'000
Continuing operations		
Current taxation		
– Hong Kong profits tax	(17,501)	(19,078)
– Overseas taxation	(482,612)	(122,343)
– Over provision in respect of Hong Kong profits tax in prior years	152,560	102,905
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	(104,896)	(50,380)
Income tax	(452,449)	(88,896)

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

	2015 HK\$'000	2014 HK\$'000
Continuing operations		
Profit before taxation	5,717,323	2,972,167
Calculated at the rates applicable to profits in the tax jurisdictions concerned	1,413,607	643,718
Tax effect of income not subject to taxation	(1,230,999)	(597,548)
Tax effect of expenses not deductible for taxation purpose	338,040	95,212
Tax effect of utilisation of previously unrecognised losses	(14,671)	(2,266)
Tax effect of tax losses and other deductible temporary differences not recognised	99,032	52,685
Over provision in respect of prior years	(152,560)	(102,905)
Income tax	452,449	88,896

10. Discontinued Operations

On 9 March 2015 and 6 November 2015, the Group acquired 97.85% equity interest in Burke E. Porter Machinery Company and its subsidiaries ("BEP") and 59% equity interest in Lapmaster Group Holdings, LLC and its subsidiaries ("Lapmaster"), with a view to hold them for resale within one year.

In order to capitalise on opportunities accorded to Chinese enterprises venturing overseas, the Group, through its subsidiaries, has established and sponsored an investment fund, known as the CEL Global Investment Fund, L.P. (the "Global Investment Fund"). The Group intends to transfer its equity interests in BEP and Lapmaster to the Global Investment Fund. The relevant equity interests held in BEP and Lapmaster meet the criteria to be classified as held for sale on acquisition in accordance with HKFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

BEP is headquartered in the State of Michigan, USA. The principal activities are design, manufacturing, and distribution of automotive testing equipment and manufacture precision machined products for the worldwide automotive manufacturing market.

Lapmaster is headquartered in Chicago, USA. Lapmaster is a developer and manufacturer for highly engineered precision surface finishing equipment and consumables with global presence.

BEP and Lapmaster are classified as disposal group held for sale (the "Disposal Group"). A single amount is presented on the face of the Group's consolidated statement of profit or loss, which comprises the post-tax profit or loss of the Disposal Group and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the Disposal Group constituting the discontinued operations (if any). The aggregate balances of assets and liabilities of the Disposal Group have been presented in the Group's consolidated statement of financial position as assets classified as held for sale and liabilities classified as held for sale respectively. As at 31 December 2015, the Group adopts fair value less costs to sell to measure the value of the Disposal Group. The fair value of the Disposal Group is measured with reference to the recent transaction price together with significant unobservable inputs and therefore such fair value measurement has been categorised as level 3 valuation.

As at 31 December 2015, the Group provided a revolving loan of US\$12,000,000 and a term loan of US\$28,000,000 to BEP and Lapmaster respectively. The loans are interest bearing and have fixed repayment terms.

11. Profit Attributable to Shareholders

Net profit for the year of the Company of approximately HK\$1,032,058,000 (2014: net profit of approximately HK\$1,487,490,000) has been dealt with in the financial statements of the Company.

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

	2015 HK\$'000	2014 HK\$'000
– Interim dividend declared and paid of HK\$0.25 (2014: HK\$0.15) per share	421,313	252,788
– Final dividend proposed after the end of the reporting period date of HK\$0.5 (2014: HK\$0.33) per share	842,627	556,134
	1,263,940	808,922

The directors proposed a final dividend of HK\$0.5 per share for the year ended 31 December 2015 (2014: HK\$0.33 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

	2015 HK\$'000	2014 HK\$'000
– Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.33 (2014: HK\$0.20) per share	556,134	337,051

13. Other Comprehensive Income

(a) Tax effects relating to each component of other comprehensive income

	Before tax amount HK\$'000	2015 Tax expense HK\$'000	Net of tax amount HK\$'000	Before tax amount HK\$'000	2014 Tax expense HK\$'000	Net of tax amount HK\$'000
Net movement in investment revaluation reserve of available-for-sale securities	2,224,029	(490,471)	1,733,558	5,093,757	(90,739)	5,003,018
Share of other comprehensive income of associates, as per the associates' financial statements	(316,245)	–	(316,245)	442,948	–	442,948
Share of other comprehensive income of joint ventures, as per the joint ventures' financial statements	67,284	–	67,284	(1,410)	–	(1,410)
Adjustments to share of other comprehensive income of associates and joint ventures to conform with the Group's accounting policies	(15,000)	–	(15,000)	(172,549)	–	(172,549)
Exchange reserve	(984,731)	–	(984,731)	(292,932)	–	(292,932)
	975,337	(490,471)	484,866	5,069,814	(90,739)	4,979,075

(b) Reclassification adjustments relating to components of other comprehensive income

	2015 HK\$'000	2014 HK\$'000
Available-for-sale securities:		
Changes in fair value recognised during the year	1,839,212	5,331,342
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	(513,432)	(519,698)
– impairment losses	407,778	191,374
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	1,733,558	5,003,018

14. Earnings Per Share

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the year ended 31 December 2015 is based on the profit attributable to equity shareholders of the Company for continuing and discontinued operations of HK\$5,087,571,000 and HK\$56,423,000 respectively, (2014 for continuing operations: HK\$2,559,688,000) and the weighted average number of 1,685,253,712 shares (2014: 1,690,409,011 shares) in issue during the year.

15. Property, Plant and Equipment

(a) Reconciliation of carrying amount

	Interests in leasehold land held for own use under operating leases HK\$'000	Buildings held for own use carried at cost HK\$'000	Investment properties HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures, equipment and motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:						
As at 1 January 2014	456,583	76,851	59,100	37,307	59,164	689,005
Additions	–	–	–	79	6,571	6,650
Disposals	–	–	–	–	(1,707)	(1,707)
Surplus on revaluation	–	–	5,500	–	–	5,500
Exchange adjustments	–	–	–	–	(172)	(172)
As at 31 December 2014	456,583	76,851	64,600	37,386	63,856	699,276
Representing:						
Cost	456,583	76,851	–	37,386	63,856	634,676
Professional valuation	–	–	64,600	–	–	64,600
	456,583	76,851	64,600	37,386	63,856	699,276
As at 1 January 2015	456,583	76,851	64,600	37,386	63,856	699,276
Additions	–	–	–	12,116	4,479	16,595
Disposals	–	–	–	(565)	(1,054)	(1,619)
Deficit on revaluation	–	–	(600)	–	–	(600)
Exchange adjustments	–	–	–	–	(584)	(584)
As at 31 December 2015	456,583	76,851	64,000	48,937	66,697	713,068
Representing:						
Cost	456,583	76,851	–	48,937	66,697	649,068
Professional valuation	–	–	64,000	–	–	64,000
	456,583	76,851	64,000	48,937	66,697	713,068

15. Property, Plant and Equipment (continued)

(a) Reconciliation of carrying amount (continued)

	Interests in leasehold land held for own use under operating leases HK\$'000	Buildings held for own use carried at cost HK\$'000	Investment properties HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures, equipment and motor vehicles HK\$'000	Total HK\$'000
Accumulated depreciation:						
As at 1 January 2014	44,407	11,883	–	24,881	32,855	114,026
Charge for the year	6,933	1,795	–	4,918	8,327	21,973
Written back on disposal	–	–	–	–	(1,680)	(1,680)
Exchange adjustments	–	–	–	–	(65)	(65)
As at 31 December 2014 and at 1 January 2015	51,340	13,678	–	29,799	39,437	134,254
Charge for the year	6,933	1,795	–	4,925	8,628	22,281
Written back on disposal	–	–	–	(481)	(681)	(1,162)
Exchange adjustments	–	–	–	–	(339)	(339)
As at 31 December 2015	58,273	15,473	–	34,243	47,045	155,034
Net book value:						
As at 31 December 2015	398,310	61,378	64,000	14,694	19,652	558,034
As at 31 December 2014	405,243	63,173	64,600	7,587	24,419	565,022

- (b) The Group's interests in leasehold land and buildings and investment properties situated in Hong Kong and mainland China were appraised as at 31 December 2015 by RHL Appraisal Limited, an independent professional valuer who have among their staff Fellows of Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. These properties were appraised on an open market basis and investment properties are carried in the consolidated statement of financial position at market value.

As at 31 December 2015, had the Group's interests in leasehold land and buildings, which were carried at cost less accumulated depreciation, been carried at fair value, their carrying amount would have been HK\$1,089,046,000 (2014: HK\$1,094,266,000).

Investment properties of HK\$64,000,000 (2014: HK\$64,600,000) of the Group are rented out under operating leases, of which HK\$12,900,000 (2014: HK\$12,900,000) are rented to a fellow subsidiary.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

15. Property, Plant and Equipment (continued)**(c) The analysis of net book value of properties is as follows:**

	2015 HK\$'000	2014 HK\$'000
Held in Hong Kong		
– on long lease	281,153	284,507
– on medium-term lease	53,000	53,000
	334,153	337,507
Held outside Hong Kong		
– on medium-term lease	189,535	195,509
	189,535	195,509
	523,688	533,016

(d) Fair value measurement of properties**(i) Fair value hierarchy**

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The levels into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique are as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

15. Property, Plant and Equipment (continued)

(d) Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

	Fair value measurements as at 31 December 2015 categorised into			
	Fair value at 31 December 2015 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement				
Investment properties: – Residential – Hong Kong	64,000	–	–	64,000

During the year ended 31 December 2015, there were no transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

	Valuation technique(s)	Unobservable input(s)	Range
Investment properties	Direct comparison approach	Premium (discount) on characteristic of the properties	-40% to 30%

The fair value of investment properties is determined using the direct comparison approach to value these properties in their respective existing states, and uses the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence. The valuations take into account the characteristic of the properties which included the location, size, shape, view, floor level, year of completion and others factors collectively. Higher premiums for properties with better characteristics will result in a higher fair value measurement.

The movements during the year in the balance of these Level 3 fair value measurements are as follow:

	HK\$'000
Investment properties – Residential – Hong Kong:	
At 1 January 2015	64,600
Net deficit on revaluation of investment properties	(600)
At 31 December 2015	64,000

Net deficit on revaluation of investment properties is recognised in the line item "other net income" (note 4) on the face of the consolidated statement of profit or loss.

All the gains/(losses) recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

16. Investments in Subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of subsidiary	Place of incorporation/ operation	Class of shares	Particulars of issued and paid up capital	Percentage of equity interest held by the Company	Principal activities
CEL Venture Capital (Shenzhen) Limited	The PRC	Not applicable	HK\$1,670,000,000	100%	Provision of investment advisory services and investment
CEL Management Services Limited	Hong Kong	Ordinary	2 Shares HK\$2	100%	Provision of management services
CEL (Secretaries) Limited	Hong Kong	Ordinary	2 Shares HK\$2	100%	Provision of secretarial services
China Everbright Assets Management Limited	Hong Kong	Ordinary	5,000,000 Shares HK\$5,000,000	100% ¹	Provision of asset management services
Everbright Capital Management Limited	Hong Kong	Ordinary	7,000,000 Shares HK\$7,000,000	100% ¹	Provision of asset management services
China Everbright Finance Limited	Hong Kong	Ordinary	100,000,000 Shares HK\$100,000,000	100% ¹	Money lending
China Everbright Financial Investments Limited	Hong Kong	Ordinary	1,000,000 Shares HK\$1,000,000	100% ¹	Investment
China Everbright Network Payment Limited	Hong Kong	Ordinary	3,468,600 Shares HK\$346.86	42.59% ¹	Project investment
China Everbright Industrial Investment Holdings Limited	Cayman Islands	Ordinary	10,000 Shares US\$10,000	100%	Investment
China Everbright Investment Management Limited	Hong Kong	Ordinary	1,000,000 Shares HK\$1,000,000	100%	Provision of investment management services
China Special Opportunities Fund, L.P.	Cayman Islands	Not applicable	Not applicable	50% ¹	Investment
EBA Investments (Advisory) Limited	Hong Kong	Ordinary	100,000 Shares US\$1,000	65% ¹	Fund management
Everbright Ashmore Investment Management	Cayman Islands	Ordinary	100,000 Shares US\$1,000	51% ¹	Fund management
Everbright Ashmore Real Estate Partners	Cayman Islands	Ordinary	1,100,000 Shares US\$11,000	51% ¹	Fund management

16. Investments in Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares	Particulars of issued and paid up capital	Percentage of equity interest held by the Company	Principal activities
Everbright Ashmore Services and Consulting Limited	Cayman Islands	Ordinary	100,000 Shares US\$1,000	51% ¹	Fund management
Everbright New Industries Capital Company Limited	The PRC	Not applicable	RMB160,000,000	70%	Project investment
Everbright San Shan Capital Management Company Limited	The PRC	Not applicable	RMB30,000,000	51%	Provision of asset management services
Fortunecrest Investment Limited	British Virgin Islands	Ordinary	1 Share US\$1	100% ¹	Property investment
Goalfield Investments Limited	British Virgin Islands	Ordinary	1 Share US\$1	100% ¹	Investment
Janco Development Limited	Hong Kong	Ordinary	2 Shares HK\$2	100%	Property investment
Solidpole Limited	Hong Kong	Ordinary	2 Shares HK\$2	100%	Investment holding
SeaBright Asset Management Limited	Hong Kong	Ordinary	1,000,000 Shares HK\$1,000,000	65%	Asset management
Trycom Management Limited	British Virgin Islands	Ordinary	1 Share US\$1	100%	Investment holding
CEL Machinery Investment Limited	Hong Kong	Ordinary	1 Share HK\$1	66.45% ¹	Investment
Windsor Venture Limited	British Virgin Islands	Ordinary	1 Share US\$1	100%	Investment holding
Well Logic Investment Limited	Hong Kong	Ordinary	2 Shares HK\$2	100% ¹	Property investment
Everbright Absolute Return Fund	Cayman Islands	Ordinary	100,000,000 Shares US\$100,000,000	100% ¹	Investment
深圳市光控投資諮詢有限公司	The PRC	Not applicable	RMB10,000,000	100% ¹	Provision of consultancy services
Everbright Venture Capital Jiangyin Company Limited	The PRC	Not applicable	RMB259,000,000	53.39% ¹	Venture capital
光大匯益偉業投資管理(北京)有限公司	The PRC	Not applicable	RMB25,300,000	100% ¹	Project investment
光大控股(江蘇)投資有限公司	The PRC	Not applicable	US\$100,000,000	100%	Investment

16. Investments in Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares	Particulars of issued and paid up capital	Percentage of equity interest held by the Company	Principal activities
宜興光控投資有限公司	The PRC	Not applicable	RMB600,000,000	100% ¹	Project investment
重慶光控股權投資管理有限公司	The PRC	Not applicable	RMB100,000,000	100% ¹	Fund management
光控廣域投資(上海)合伙企業 (有限合伙)	The PRC	Not applicable	RMB580,000,000	50% ¹	Investment
光控(海門)創業投資有限公司	The PRC	Not applicable	US\$18,000,000	100%	Investment
光大控股(青島)投資有限公司	The PRC	Not applicable	US\$78,000,000	100%	Investment
成都光控西部創業投資有限公司	The PRC	Not applicable	RMB180,000,000	100% ¹	Investment
Winning Trend Investments Limited	British Virgin Islands	Ordinary	1 Share US\$1	100% ¹	Investment
上海光控嘉鑫股權投資管理 有限公司	The PRC	Not applicable	RMB50,000,000	100% ¹	Fund management
成都光控安鑫股權投資基金 管理有限公司	The PRC	Not applicable	RMB10,000,000	100% ¹	Fund management
青島光控低碳新能股權投資 有限公司	The PRC	Not applicable	RMB650,000,000	76.92% ¹	Investment
青島光控新產業股權投資管理 有限公司	The PRC	Not applicable	RMB10,000,000	100% ¹	Investment
光大控股(青島)融資租賃 有限公司	The PRC	Not applicable	US\$30,000,000	100% ¹	Investment
上海光控股權投資管理 有限公司	The PRC	Not applicable	RMB600,000,000	100% ¹	Fund management
China Everbright Structured Investment Management Limited	Hong Kong	Ordinary	5,000,000 Shares HK\$5,000,000	100% ¹	Investment
Diamond Gate Group Limited	British Virgin Islands	Ordinary	1 Share US\$1	100% ¹	Investment holding
CEL Israel Holdings Limited	British Virgin Islands	Ordinary	1 Share US\$1	100% ¹	Investment holding
CEL Catalyst China Israel General Partner Limited	Cayman Islands	Ordinary	100 Share US\$1	100% ¹	Fund management
CEL Israel Equity Management Ltd	British Virgin Islands	Ordinary	1 Share US\$1	100% ¹	Investment

16. Investments in Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares	Particulars of issued and paid up capital	Percentage of equity interest held by the Company	Principal activities
Champion Castle Investments Limited	Hong Kong	Ordinary	1 Share HK\$1	100% ⁽¹⁾	Investment holding
China Everbright Global Investment Advisors Company Limited	Hong Kong	Ordinary	5,000,000 Shares HK\$5,000,000	100% ⁽¹⁾	Provision of advisory services
Precious Healthcare Limited	Hong Kong	Ordinary	1 Share HK\$1	100% ⁽¹⁾	Investment
Success Life Science Limited	Hong Kong	Ordinary	1 Share HK\$1	100% ⁽¹⁾	Investment
Greenhouse Century Limited	British Virgin Islands	Ordinary	1 Share US\$1	100% ⁽¹⁾	Investment
Everbright Hero GP Limited	Cayman Islands	Ordinary	1 Share US\$1	100% ⁽¹⁾	Fund management
Everbright Hero, L.P.	Cayman Islands	Not applicable	Not applicable	51% ⁽¹⁾	Investment
光控投資管理(上海)有限公司	The PRC	Not applicable	RMB200,000,000	100% ⁽¹⁾	Provision of investment management services
光大融資租賃(上海)有限公司	The PRC	Not applicable	US\$50,000,000	100% ⁽¹⁾	Provision of leasing services
CEL Media Investment Limited	Hong Kong	Ordinary	1 Share HK\$1	100% ⁽¹⁾	Investment

⁽¹⁾ Subsidiaries held indirectly.

17. Investments in Associates**(a) Investments in associates**

	2015 HK\$'000	2014 HK\$'000
Share of net assets	16,878,305	13,388,600
Goodwill on acquisition	(591,037)	(591,037)
	16,287,268	12,797,563
Less: impairment loss	(338,439)	(338,439)
	15,948,829	12,459,124
Market value of shares listed in mainland China	31,204,468	40,659,001
Market value of shares listed in Hong Kong	1,661,116	2,355,426

(b) As at 31 December 2015, 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)	29.16% (note 2)
Everbright Securities (International) Limited	British Virgin Islands	Securities operations (note 1)	49%*
China Aircraft Leasing Group Holdings Limited ("CALGH")	Cayman Islands	Investment holding (note 3)	34.27%** (note 4)
首譽光控資產管理有限公司	The PRC	Assets management (note 5)	35%**
重慶融科光控實業發展有限公司	The PRC	Investment holding (note 6)	24.99%**

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

** Held indirectly.

17. Investments in Associates (continued)

(b) As at 31 December 2015, particulars of principal associates of the Group are as follows: (continued)

- Note 1: Everbright Securities and Everbright Securities (International) Limited are the Group's strategic investments to capitalise the growth of securities markets in mainland China and Hong Kong.
- Note 2: The Group's equity interest was diluted from 33.33% to 29.16% during the year due to the non-public share issuance of Everbright Securities. Accordingly, a gain on deemed disposal of interest in associate amounted to HK\$1,324,545,000 was credited to the consolidated statement of profit or loss.
- Note 3: CALGH is an associate of the Group to capture multiple opportunities along the aircraft value chain arising from the rapid growth of aviation industry. CALGH's lease offerings are complemented by fleet planning consultation, structured leasing, aircraft trading and re-marketing and aircraft disassembly.
- Note 4: The Group equity interest was diluted from 35.33% to 34.27% during the year due to the exercise of share options by investors of CALGH. Accordingly, a loss on deemed disposal of interest in an associate amounted to HK\$20,503,000 was charged to the consolidated statement of profit or loss.
- Note 5: 首譽光控資產管理有限公司 is one of the Group's assets management companies.
- Note 6: 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 2015, Everbright Securities has recorded an after tax profit of RMB7.75 billion (2014: RMB2.14 billion) and the Group's share of profit as per the associate's financial statements, under equity accounting method, amounted to HK\$3,037 million (2014: HK\$870 million). In addition to the remaining 49% stake of Everbright Securities (International) Limited, the Group is entitled to the result through its 29.16% 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.

17. Investments in Associates (continued)**(c) Supplementary financial information of principal associates**

Supplementary financial information in respect of an individually material associate extracted from its financial statements is as follows:

	Everbright Securities	
	2015 HK\$'000	2014 HK\$'000
Gross amounts of the associate		
Current assets	211,202,689	131,469,967
Non-current assets	24,102,259	12,268,488
Current liabilities	(156,292,623)	(99,552,683)
Non-current liabilities	(28,358,528)	(10,897,069)
Non-controlling interests	(2,317,574)	(1,014,471)
Equity attributable to equity shareholders of the associate	48,336,223	32,274,232
Operating income	20,254,840	8,326,705
Profit from operations	9,468,981	2,695,030
Other comprehensive income	1,175,667	1,225,018
Total comprehensive income	10,644,648	3,920,048
Dividend received from the associate	113,943	28,402
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	48,336,223	32,274,232
Group's effective interest	29.16%	33.33%
Group's share of net assets of the associate	14,094,843	10,757,001
Carrying amount as per the associate's financial statements	14,094,843	10,757,001
Adjustments to share of profits less losses to conform with the Group's accounting policies	103,911	118,691
Carrying amount in the Group's consolidated financial statement	14,198,754	10,875,692

17. Investments in Associates (continued)**(c) Supplementary financial information of principal associates (continued)**

Aggregate information of associates that are not individually material:

	2015 HK\$'000	2014 HK\$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	1,750,075	1,583,432
Aggregate amounts of the Group's share of those associates'		
Profit for the year	167,961	199,451
Other comprehensive income	–	–
Total comprehensive income	167,961	199,451

(d) Amount due from an associate

Amount due from an associate is unsecured, interest bearing and has fixed repayment terms.

18. Investments in Joint Ventures**(a) Investments in joint ventures**

	2015 HK\$'000	2014 HK\$'000
Carrying value, net	625,047	574,328

(b) As at 31 December 2015, details of the Group's investments in joint ventures are mainly 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)	RMB300,000,000	30.3%*

* 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 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 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 mainland China. The Group's equity interest was increased from 28.8% to 30.3% during the year.

All of the above joint ventures are unlisted corporate entities whose quoted market price was not available as at 31 December 2015. They are accounted for using the equity method in the consolidated financial statements.

18. Investments in Joint Ventures (continued)**(b) As at 31 December 2015, details of the Group's investments in joint ventures are mainly as follows: (continued)**

Aggregate information of joint ventures that are not individually material:

	2015 HK\$'000	2014 HK\$'000
Aggregate carrying amount of individually not material joint ventures in the consolidated financial statements	625,047	574,328
Aggregate amounts of the Group's share of those joint ventures		
(Loss)/profit for the year	(7,702)	152,222
Other comprehensive income	67,284	(1,410)
Total comprehensive income	59,582	150,812
Unrecognised share of losses of a joint venture	–	(3,730)

(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.

19. Available-For-Sale Securities

	2015 HK\$'000	2014 HK\$'000
At fair value:		
Listed equity securities		
– in Hong Kong	1,114,861	343,691
– outside Hong Kong	14,079,422	11,039,415
Unlisted equity securities/collective investment schemes		
– in Hong Kong	17,148	428,511
– outside Hong Kong	5,658,476	5,940,378
Listed debt securities		
– in Hong Kong	5,636	575,308
– outside Hong Kong	90,951	99,316
Unlisted debt securities	241,474	61,558
At cost ⁽ⁱ⁾ :		
Unlisted equity securities	545,363	520,344
	21,753,331	19,008,521

- (i) At 31 December 2015, 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's investment in listed equity securities with fair values of HK\$416,136,000, HK\$2,816,286,000, HK\$107,280,000 and HK\$836,131,000 are subject to a lock-up provision which restricted the Group from selling the equity securities on or before 22 April 2016, 29 December 2016, 29 December 2016 and 19 May 2018 respectively.

19. Available-For-Sale Securities (continued)

	2015 HK\$'000	2014 HK\$'000
Fair value of available-for-sale securities that were individually determined to be impaired as at 31 December:		
Listed equity securities		
– in Hong Kong	340,839	65,169
– outside Hong Kong	–	7,970
Unlisted equity securities	308,664	232,034
	649,503	305,173

As at 31 December 2015, certain of the Group's available-for-sale equity securities were individually determined to be impaired on the basis of a significant or prolonged decline in their fair value below cost.

The Group held the following principal available-for-sale securities as at 31 December 2015:

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	3.37%

(i) At 31 December 2015, the carrying value of interests in Everbright Bank exceeded 10% of total assets of the Group.

20. Financial Assets Designated at Fair Value Through Profit or Loss

	2015 HK\$'000	2014 HK\$'000
Non-current assets		
At fair value:		
Listed equity securities		
– in Hong Kong	82,945	41,955
– outside Hong Kong	1,733,860	2,000,993
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	4,658,166	3,279,147
Unlisted convertible preference shares		
– outside Hong Kong	939,183	1,237,976
Unlisted debt securities – outside Hong Kong	1,467,430	542,353
	8,881,584	7,102,424
Current assets		
At fair value:		
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	2,494,863	468,938
Unlisted debt securities and derivatives – outside Hong Kong	384,360	–
	2,879,223	468,938

20. Financial Assets Designated at Fair Value Through Profit or Loss (continued)

As at 31 December 2015, the Group's listed and unlisted equity securities amounting to a fair value of HK\$6,302,378,000 (2014: HK\$4,464,874,000) were investments in associates and joint ventures. The Group was exempted from applying the equity method to these investments and they were recognised as financial assets designated at fair value through profit or loss.

As at 31 December 2015, balances of HK\$294,147,000 (2014: HK\$523,070,000) 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.

As at 31 December 2015, a balance of HK\$238,800,000 was due to an investee company which was recognised as financial assets designated at fair value through profit or loss. The amount due to an investee company is unsecured, interest free and has no fixed terms of prepayment.

In 2015, 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:

	2015 HK\$'000	2014 HK\$'000
As at 1 January 2015	544,939	–
Additions for the year	294,888	544,939
Exchange adjustment	(55,084)	–
As at 31 December 2015	784,743	544,939

21. Advances to Customers

	2015 HK\$'000	2014 HK\$'000
Non-current assets		
Term loans to customers		
– secured	730,609	194,478
– unsecured	708,274	587,856
	1,438,883	782,334
Current assets		
Term loans to customers		
– secured	2,612,346	2,641,242
– unsecured	38,755	1,468,161
	2,651,101	4,109,403

Certain term loans to customers are secured by listed and unlisted securities or leasehold land in mainland China with third parties guarantees (note 39 (a)).

An aging analysis of advances to customers is as follows:

	2015 HK\$'000	2014 HK\$'000
Within 3 months	1,514,656	1,313,025
Over 3 months to 1 year	1,136,445	2,796,378
Over 1 year to 5 years	1,438,883	782,334
	4,089,984	4,891,737

22. Finance Lease Receivables

The total minimum lease payments receivables under finance lease, and their present values are as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 year	164,345	–
After 1 year but within 5 year	189,559	–
Gross investment in leases	353,904	–
Unearned finance income	(38,050)	–
Net investment in leases	315,854	–
Less: accumulated allowance (Note)	(214,920)	–
Finance lease receivables – net	100,934	–

Note: As at 31 December 2015, the Group's finance lease receivables of HK\$214,920,000 was individually determined to be impaired. A finance lease deposit of HK\$18,625,000 was used to cover the scheduled payments of finance lease receivables. Therefore, impairment loss on finance lease receivables of HK\$196,295,000 was recognised during the year.

The present value of future payments receivables are as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 year	38,620	–
After 1 year but within 5 year	62,314	–
	100,934	–

23. Debtors, Deposits and Prepayments

	2015 HK\$'000	2014 HK\$'000
Accounts receivable, net	880,445	935,518
Deposits, prepayments, interest and other receivables	571,198	470,166
	1,451,643	1,405,684
Less: Allowance of doubtful debt	–	(211,000)
	1,451,643	1,194,684

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

As at 31 December 2014, the Group's receivable of HK\$426,432,000 was individually determined to be impaired.

24. Trading Securities

	2015 HK\$'000	2014 HK\$'000
Current Assets		
At fair value:		
Listed equity securities		
– in Hong Kong	268,270	570,018
– outside Hong Kong	344,832	387,184
Listed debt securities		
– in Hong Kong	72,946	4,379
– outside Hong Kong	348,747	47,174
Unlisted debt securities	27,192	345,926
Derivatives		
– listed	45	933
– unlisted	8,260	2,304
	1,070,292	1,357,918
Current Liabilities		
At fair value:		
Listed equity securities		
– in Hong Kong	(43,197)	(102,859)
– outside Hong Kong	(125,228)	(153,445)
Listed debt securities		
– outside Hong Kong	(63,287)	–
Unlisted debt securities	–	(66,167)
Derivatives		
– listed	(434)	(1,529)
– unlisted	(6,998)	(3,637)
	(239,144)	(327,637)

25. Cash and Cash Equivalents

	2015 HK\$'000	2014 HK\$'000
Cash on hand, savings and current accounts	3,129,784	2,116,974
Fixed deposits with banks	1,558,472	2,348,315
Cash and cash equivalents in the consolidated statement of financial position	4,688,256	4,465,289
Less: Deposits pledged	–	(722,734)
Cash and cash equivalents in the consolidated cash flow statement	4,688,256	3,742,555

26. Bank Loans

As at 31 December 2015, the bank loans were repayable as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 year	3,170,845	4,996,065
After 1 year but within 5 years	10,283,111	3,538,285
After 5 years	–	51,651
	10,283,111	3,589,936
	13,453,956	8,586,001

As at 31 December 2015, the bank loans were secured as follows:

	2015 HK\$'000	2014 HK\$'000
Bank loans		
– secured	42,060	927,001
– unsecured	13,411,896	7,659,000
	13,453,956	8,586,001

As at 31 December 2015, the bank loan of the Group of HK\$42,060,000 was secured by property situated in mainland China.

As at 31 December 2014, the bank loans of the Group of HK\$927,001,000 were secured by fixed deposits and property situated in Mainland China.

27. 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.

28. Creditors, Deposits Received and Accrued Charges

	2015 HK\$'000	2014 HK\$'000
Creditors, deposits received and accrued charges	1,327,476	1,025,892

As at 31 December 2015, creditors, deposits received and accrued charges included bonus payable to staff.

29. Notes Payable

	2015 HK\$'000	2014 HK\$'000
Non-current liabilities		
Unlisted notes issued by the Group at fair value	–	30,000
Current liabilities		
Unlisted notes issued by the Group at fair value	57,000	27,000

As at 31 December 2015, the Group had issued three notes to two independent third parties and the notes payable were interest bearing; two of them have fixed repayment terms while one of them is repayable on demand.

30. Income Tax in the Consolidated Statement of Financial Position

(a) Current taxation in the consolidated statement of financial position represents:

	2015 HK\$'000	2014 HK\$'000
Provision for Hong Kong profits tax for the year	17,501	19,078
Provision for PRC tax for the year	351,347	85,228
Provisional profits tax paid	(56,593)	(34,464)
	312,255	69,842
Balance of profits tax provision relating to prior years	18,802	137,236
	331,057	207,078

30. Income Tax in the Consolidated Statement of Financial Position (continued)**(b) Deferred taxation**

The movements on the deferred tax liabilities recognised in the consolidated statement of financial position are as follows:

	Fair value adjustment for available-for-sale securities		Tax losses		Withholding tax on associate's profit		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
At 1 January	(278,487)	(187,748)	-	-	(147,431)	(97,051)	(425,918)	(284,799)
Charged to profit or loss	-	-	-	-	(104,896)	(50,380)	(104,896)	(50,380)
Charged to reserve	(490,471)	(90,739)	-	-	-	-	(490,471)	(90,739)
At 31 December	(768,958)	(278,487)	-	-	(252,327)	(147,431)	(1,021,285)	(425,918)

In accordance with the accounting policy set out in note 2(q), the Group has not recognised deferred tax assets, in respect of tax losses of approximately HK\$2,877 million (2014: approximately HK\$2,425 million), as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant entities. The tax losses do not expire under current tax legislation.

31. Share Capital**(a) Share capital**

	2015		2014	
	No. of shares (‘000)	HK\$'000	No. of shares (‘000)	HK\$'000
Ordinary shares issued and fully paid:				
At 1 January	1,685,254	9,618,097	1,720,100	1,720,100
Shares repurchased	-	-	(34,846)	(34,846)
Transition to no-par value regime on 3 March 2014 (note)	-	-	-	7,932,843
At 31 December	1,685,254	9,618,097	1,685,254	9,618,097

Note: The transition to the no-par value regime under the Hong Kong Companies Ordinance occurred automatically on 3 March 2014. On that date, the share premium account and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Ordinance.

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.

31. Share Capital (continued)

(b) Capital management

The Group's primary objectives in capital management are maximising shareholders' return, matching of business funding needs and maintaining the Group's ability to continue as a going concern. Management regularly, or as changes in circumstances warrant, reviews and manages its capital structure so as to maintain a proper balance amongst shareholder returns, leveraging and funding requirement.

During 2015, in view of the development of the Group's business strategies, management has considered to change the basis for monitoring its capital structure from net assets-to-adjusted capital ratio to adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, notes payable and amount due to a fellow subsidiary and shareholder) plus unaccrued proposed dividends, less cash and cash equivalents.

Adjusted capital comprises all components of equity, less unaccrued proposed dividends. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The adjusted net debt-to-capital ratio at 31 December 2014 is restated to conform with the current presentation. The adjusted net debt-to-capital ratio at 31 December 2015 and 2014 was as follows:

	2015 HK\$'000	2014 HK\$'000 (Restated)
Current liabilities		
Bank loans	3,170,845	4,996,065
Amount due to a fellow subsidiary and shareholder	1,000,000	500,000
Notes payable	57,000	27,000
	4,227,845	5,523,065
Non-current liabilities		
Bank loans	10,283,111	3,589,936
Notes payable	–	30,000
	14,510,956	9,143,001
Total debt	14,510,956	9,143,001
Add: Proposed dividend	842,627	556,134
Less: Cash and cash equivalents	(4,688,256)	(4,465,289)
Adjusted net debt	10,665,327	5,233,846
Total equity	42,947,509	38,190,586
Less: Proposed dividend	(842,627)	(556,134)
Adjusted capital	42,104,882	37,634,452
Adjusted net debt-to-capital ratio	25%	14%

31. Share Capital (continued)**(b) Capital Management (continued)**

As at 31 December 2015, the Group's liquidity remained healthy. The addition of financial resources is mainly attributable to fruitful returns, through divestment and dividends, from investments. During the year, The Group has also made further investment over advances to customers, trading securities, available-for-sale securities and financial assets designated at fair value through profit or loss. To enhance shareholder returns, the Group continues to seek new investment opportunities while maintaining a healthy capital structure.

The Company is not subject to externally imposed capital requirements. Certain subsidiaries of the Company are subject to regulatory imposed capital and liquid capital requirements (see also note 39(b)). These subsidiaries have complied with those requirements at all time during both the current and prior financial years.

32. Parent Company Statement of Financial Position

	Notes	31 December 2015 HK\$'000	31 December 2014 HK\$'000
Non-current assets			
Property, plant and equipment		8	18
Investments in subsidiaries	16	3,558,366	3,526,492
Amounts due from subsidiaries		9,510,871	6,491,478
Investment in an associate		1,784,192	1,784,192
Available-for-sale securities		7,962,070	9,558,192
		22,815,507	21,360,372
Current assets			
Amounts due from subsidiaries		8,449,371	5,353,532
Debtors, deposits and prepayments		37,745	31,577
Cash and cash equivalents		77,640	62,461
		8,564,756	5,447,570
Current liabilities			
Amounts due to subsidiaries		(4,119,310)	(675,015)
Bank loans		(2,812,645)	(3,745,565)
Creditors, deposits received and accrued charges		(9,759)	(5,707)
		(6,941,714)	(4,426,287)
Net current assets		1,623,042	1,021,283
Total assets less current liabilities		24,438,549	22,381,655
Non-current liabilities			
Bank loans		(7,031,794)	(3,538,285)
Deferred tax liabilities		(252,327)	(147,431)
		(7,284,121)	(3,685,716)
NET ASSETS		17,154,428	18,695,939
CAPITAL AND RESERVES			
Share capital	31	9,618,097	9,618,097
Reserves	33	7,536,331	9,077,842
TOTAL EQUITY		17,154,428	18,695,939

Approved and authorised for issue by the Board of Directors on 23 March 2016 and signed on behalf of the Board by:

Tang Shuangning
Director

Chen Shuang
Director

33. Reserves**(a) The movement in the Parent Company's reserves during the year are as follows:**

	Notes	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1 January 2014		1,720,100	7,890,967	4,200,107	7,030	383,944	14,202,148
Dividends paid	12	–	–	–	–	(589,839)	(589,839)
Profit for the year		–	–	–	–	1,487,490	1,487,490
Other comprehensive income for the year		–	–	3,956,791	–	–	3,956,791
Shares repurchased	31(a)	(34,846)	–	–	34,846	(352,641)	(352,641)
Transition to no-par value regime on 3 March 2014	31(a)	7,932,843	(7,890,967)	–	(41,876)	–	–
Transfer of available-for-sale securities by the Company to Social Security Fund	33(b)(viii)	–	–	(5,895)	–	(2,115)	(8,010)
As at 31 December 2014 and 1 January 2015		9,618,097	–	8,151,003	–	926,839	18,695,939
Dividends paid	12	–	–	–	–	(977,447)	(977,447)
Profit for the year		–	–	–	–	1,032,058	1,032,058
Other comprehensive income for the year		–	–	(1,596,122)	–	–	(1,596,122)
As at 31 December 2015		9,618,097	–	6,554,881	–	981,450	17,154,428

33. Reserves (continued)

(b) Nature and Purpose of Reserves

(i) 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 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 (see note 31(a)). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

(ii) Option premium reserve

The option premium reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share based payments.

(iii) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period date and is dealt with in accordance with the accounting policies in note 2(f).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(t).

(v) Goodwill reserve

The goodwill reserve comprises goodwill on acquisitions that occurred prior to 1 January 2001. The reserve is dealt with in accordance with the accounting policies set out in note 2(e).

(vi) Capital reserve

The capital reserve comprises specific allocation of amount transferred from retained earnings due to regulatory requirements. It also includes the share of statutory reserve of associates.

(vii) Distributability of reserve

As at 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the new Hong Kong Companies Ordinance (Cap. 622), amounted to HK\$981,450,000 (2014: HK\$926,839,000). After the end of the reporting period, the directors proposed a final dividend of HK\$0.5 per share (2014: HK\$0.33 per share), amounting to HK\$842,627,000 (2014: HK\$556,134,000) (note 12). This dividend has not been recognised as a liability at the end of the reporting period.

(viii) Transfer of available-for-sale securities by the Company to the Social Security Fund

Pursuant to regulations of the People's Republic of China ("PRC"), certain available-for-sale securities held by the Group were transferred to National Council for Social Security Fund, a government agency of the PRC at no consideration as the Group's ultimate holding Company is controlled by the Council of State, a government agency of the PRC. During 2014, the transfer of shares at a fair value of HK\$8,010,000 were regarded as transactions with shareholders and accordingly the Group's share of the total costs of such investments transferred amounting to HK\$2,115,000 has been charged directly to equity.

34. Maturity Profile

As at 31 December 2015

	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	–	228,937	1,285,719	1,136,445	1,438,883	–	4,089,984
– Finance lease receivables	–	–	9,453	29,167	62,314	–	100,934
– Trading securities	595,419	–	466,198	8,675	–	–	1,070,292
– Available-for-sale securities	21,622,813	–	–	–	130,518	–	21,753,331
– Financial assets designated at fair value through profit or loss	6,836,743	–	967,140	1,912,083	2,044,841	–	11,760,807
– Cash and cash equivalents	–	3,129,784	1,558,472	–	–	–	4,688,256
	29,054,975	3,358,721	4,286,982	3,086,370	3,676,556	–	43,463,604
Liabilities							
– Bank loans	–	–	–	(3,170,845)	(10,283,111)	–	(13,453,956)
– Amount due to a fellow subsidiary and shareholder	–	–	(1,000,000)	–	–	–	(1,000,000)
– Other financial liabilities	–	(3,038,933)	–	–	(457,371)	(56,427)	(3,552,731)
– Trading securities	(175,857)	–	(63,287)	–	–	–	(239,144)
– Notes payable	–	(27,000)	–	(30,000)	–	–	(57,000)
	(175,857)	(3,065,933)	(1,063,287)	(3,200,845)	(10,740,482)	(56,427)	(18,302,831)

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	–	389,275	8,330	–	–	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	2,116,974	4,050,615	3,273,646	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)

35. Material Related Party Transactions

(a) The following transactions were entered into with related parties during the year:

	2015 HK\$'000	2014 HK\$'000
Realised gain on disposal of available-for-sale securities from a fellow subsidiary	–	251,802
Management fee received from:		
– a joint venture	2,829	6,175
– an associate exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss	5,924	13,580
Loan interest income from:		
– an associate	778	12,232
– an associate exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss	–	24,445
Consultancy and other service income from:		
– an associate	23,253	15,506
Bank interest income from a fellow subsidiary/a related party bank	14,080	20,739
Advisory income from associates	12,718	27,932
Interest expense to a fellow subsidiary and shareholder	24,965	13,584
Consultancy fee to an associate	2,202	3,603
Remuneration for key management personnel (including the Company's directors) which is included in "staff cost":		
– short-term employee benefits	47,388	39,024
– retirement scheme contributions	245	209

(b) Except as disclosed elsewhere in the financial statements, included in the consolidated statement of financial position are the following balances with related parties:

	2015 HK\$'000	2014 HK\$'000
Amounts due from associates (included in debtors, deposits and prepayments)	50,522	18,960
Loans to associates exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss (included in advances to customers)	247,869	646,946
Bank deposit with a fellow subsidiary/a related party bank	899,106	1,359,279
Bank loan from a fellow subsidiary	(775,100)	–
Amount due to an associate (included in other financial liabilities)	(3,038,933)	(3,234,796)
Interests in collective investment scheme issued by an associate (included in available-for-sale securities)	806,475	620,873
Interests in collective investment schemes issued by an associate (included in financial assets designated at fair value through profit or loss)	3,001,716	–

Amounts due from associates arose in the ordinary course of securities trading business, and is unsecured, interest bearing and repayable upon demand.

Loans to associates exempted from applying the equity method and was recognised as a financial asset designated at fair value through profit or loss is secured, interest-bearing and has fixed repayment terms.

35. Material Related Party Transactions (continued)**(c) Transactions with other PRC state-owned entities**

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations ("State-owned Entities"). Transactions with other State-owned Entities include but are not limited to: lending and deposit taking; insurance and redemption of bonds issued by other State-owned Entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

The Group is of the opinion that none of these transactions are material related party transactions that require separate disclosures.

- (d) Certain related party transactions above constitute connect transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Directors' Report.

36. Contingent Liabilities**Corporate guarantee**

	Note	2015 HK\$'000	2014 HK\$'000
Guarantee given to financial institutions in respect of banking facilities granted to subsidiaries	i	2,550,200	875,350

Note:

- i. The Group's subsidiaries have utilised HK\$2,015,260,000 of these banking facilities as at 31 December 2015 (2014: HK\$875,350,000).

37. Commitments**(a) Capital commitment**

As at 31 December 2015, the Group had capital commitments as follows:

	2015 HK\$'000	2014 HK\$'000
Contracted but not provided for	3,110,124	3,009,784

(b) Operating lease commitments

Operating lease commitments as at 31 December 2015 amounted to approximately HK\$15,216,000 (2014: HK\$210,000) of which HK\$7,674,000 (2014: HK\$210,000) is payable in the next twelve months. The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2015 HK\$'000	2014 HK\$'000
Not later than one year	7,674	210
Later than one year and not later than five years	7,542	–
	15,216	210

37. Commitments (continued)**(c) Future operating lease arrangement**

As at 31 December 2015, the Group had future aggregate minimum lease receipts under non-cancellable operating leases for investment properties as follows:

	2015 HK\$'000	2014 HK\$'000
Not later than one year	989	1,113
Later than one year and not later than five years	238	476
	1,227	1,589

(d) Off-balance sheet exposure

The fair values and the contractual or notional amounts of the Group's trading equity derivatives outstanding at 31 December 2015 are detailed as follows:

	Fair value assets/(liabilities)		Contractual/ notional amounts	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Assets derivative contracts	124,570	3,237	530,572	227,094
Liabilities derivative contracts	(7,432)	(5,166)	330,979	119,048

The financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices of the underlying instruments relative to their terms.

Notional amounts of these financial instruments provide a basis for comparison with instruments recognised on the consolidated statement of financial position but do not necessarily indicate the amount of future cash flows involved or the current fair value of the instruments and, therefore, are not a representation of the Group's exposure to the credit or price risks.

38. Involvement with Unconsolidated Structured Entities

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Group
Investment funds/ collective investment schemes	To generate fees from managing assets on behalf of third party investors	• Management fees
	These vehicles are financed through the issue of units to investors	• Investments in units issued by the structured entity

As at 31 December 2015, the carrying value of interests held by the Group in unconsolidated structured entities amounted to HK\$4,673,855,000 (2014: HK\$1,956,163,000) and HK\$1,898,646,000 (2014: HK\$2,123,934,000) were recognised in financial assets designated at fair value through profit or loss and available-for-sale securities in the consolidated statement of financial position, respectively. The maximum exposure to loss is the carrying value of the assets held.

39. Financial Instruments

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.

39. Financial Instruments (continued)

(a) Credit risk (continued)

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 end of the reporting period date, the Group did not have a significant concentration of credit risk other than the provision of advances to customers which are secured by listed and unlisted securities or leasehold land in mainland China with third parties guarantees of HK\$3,343 million (2014: HK\$2,836 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 end of the reporting period date deducting any impairment allowance. Except for the corporate guarantee set out in note 36, 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 end of the reporting period date amounted to HK\$2,550 million (2014: HK\$875 million).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from advances to customers are set out in notes 21 and 34.

(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.

The following table details the remaining contractual maturities on the end of the reporting period date of the Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance date) and the earliest date the Group can be required to pay:

	2015				2014			
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year HK\$'000	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year HK\$'000
Creditors, deposits received and accrued charges	1,327,476	1,327,476	1,327,476	-	1,025,892	1,025,892	1,025,892	-
Bank loans	13,453,956	14,099,640	3,498,560	10,601,080	8,586,001	8,916,028	5,166,665	3,749,363
Notes payable	57,000	59,503	31,558	27,945	57,000	60,553	28,995	31,558
Trading securities	239,144	239,144	239,144	-	327,637	327,637	327,637	-
Other financial liabilities	3,552,731	3,552,731	3,038,933	513,798	3,234,796	3,234,796	3,234,796	-
Amount due to a joint venture	427	427	427	-	494	494	494	-
Amount due to an investee company	238,800	238,800	238,800	-	78,969	78,969	78,969	-
Amount due to a fellow subsidiary and shareholder	1,000,000	1,026,762	1,026,762	-	500,000	503,792	503,792	-
	19,869,534	20,544,483	9,401,660	11,142,823	13,810,789	14,148,161	10,367,240	3,780,921

39. Financial Instruments (continued)**(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 five 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.

In respect of interest-bearing financial assets and financial liabilities at variable interest rates, the following table indicates their effective interest rate at the end of the reporting period. It is estimated that as at 31 December 2015, a general increase/decrease of 0.5% in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings, by HK\$40,343,893/HK\$47,485,940 (2014: decrease/increase of HK\$21,955,213/HK\$25,852,799 for increase/decrease of 0.5% in the interest rate).

The above increase or decrease in the interest rate represents the management's assessment of a reasonable change in interest rates over the period until the next annual balance sheet date. It also assumes that all other variable remains constant. The analysis is performed on the same basis for 2014.

The Group's interest bearing assets and liabilities are substantially at variable interest rate basis.

	2015		2014	
	Effective interest rate %	HK\$'000	Effective interest rate %	HK\$'000
Assets				
Advances to customers	6.33%	979,559	6.24%	587,856
Cash and cash equivalents	1.20%	4,688,256	0.83%	4,465,289
Total interest bearing assets		5,667,815		5,053,145
Liabilities				
Bank loans	2.67%	12,522,636	2.84%	8,586,001
Amount due to a fellow subsidiary and shareholder	2.68%	1,000,000	2.74%	500,000
Notes payable	3.50%	57,000	3.50%	57,000
Total interest bearing liabilities		13,579,636		9,143,001

39. Financial Instruments (continued)

(d) Currency risk

The Group's exposure to exchange risk primarily stems from holdings of monetary assets and liabilities denominated in foreign currencies, other than Hong Kong dollars and net investment in foreign operations. As most of the Group's monetary assets and liabilities and net investment in foreign operations are denominated in Hong Kong dollars, United States dollars, Singapore dollars or Renminbi, management is aware of the likely increase in volatility in these currencies and takes a balanced view when considering the management of currency risk.

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

As at the end of the reporting period, the Group's exposure to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate is tabled below:

	2015			2014		
	In USD HK\$'000	In RMB HK\$'000	In SGD HK\$'000	In USD HK\$'000	In RMB HK\$'000	In SGD HK\$'000
Available-for-sale securities	1,061,452	12,464,037	-	1,299,049	11,599,728	-
Financial assets designated at fair value through profit or loss	3,217,542	2,037,622	-	1,546,464	1,493,373	1,593,134
Advances to customers	1,961,700	-	-	1,452,863	-	-
Amounts due from investee companies	257,670	-	-	488,395	-	-
Debtors, deposits and prepayments	333,541	95,588	-	783,757	8,247	-
Trading securities	-	84	-	3,138	-	-
Cash and cash equivalents	209,280	1,398,109	24,043	515,302	1,324,891	-
Disposal group held for sale	1,802,778	-	-	-	-	-
Bank loans	(6,986,709)	(931,320)	(821,670)	(3,899,085)	-	(880,845)
Other financial liabilities	(513,798)	-	-	-	-	-
Creditors, deposits received and accrued charges	(507,472)	-	-	(85,918)	(124,891)	-
Net exposure arising from recognised assets and liabilities	835,984	15,064,120	(797,627)	2,103,965	14,301,348	712,289

39. Financial Instruments (continued)**(d) Currency risk (continued)**

An analysis of the estimated material change in the Group's profit before tax and other components of consolidated equity in response to reasonably possible changes in Renminbi's exchange rate to which the Group has significant exposure at the end of the reporting period is presented in the following table.

	2015			2014		
	Increase/ (decrease) in exchange rates	Effect on profit before tax HK\$'000	Effect on other components of equity HK\$'000	Increase/ (decrease) in exchange rates	Effect on profit before tax HK\$'000	Effect on other components of equity HK\$'000
Renminbi, RMB	1% (1%)	26,001 (26,001)	124,640 (124,640)	1% (1%)	27,016 (27,016)	115,997 (115,997)

The above analysis assumes the change in Renminbi's exchange rate had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk in existence at that date while all other variables remain constant. The stated changes also represent management's assessment of reasonably possible changes in exchange rates until the next annual balance sheet date. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The Hong Kong dollar and the United States dollar peg is assumed to stay materially unaffected by any fluctuation of the United States dollar against other currencies. The analysis is performed on the same basis for 2014.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 24), available-for-sale securities (see note 19) and financial assets designated as fair value through profit or loss (see note 20). 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.

39. Financial Instruments (continued)

(e) Equity price risk (continued)

The following table shows the approximate changes in the Group's profit after tax (and retained earnings) in response to reasonable change in the value of the relevant listed and unlisted equity investment. The analysis is performed on the same basis as in 2014:

	Increase/ (Decrease) in equity price	2015 Effect on profit after tax and retained profits HK\$'000	Effect on other components of equity HK\$'000	Increase/ (Decrease) in equity price	2014 Effect on profit after tax and retained profits HK\$'000	Effect on other components of equity HK\$'000
Listed equity investments	10% (10%)	222,434 (256,518)	1,329,118 (1,295,034)	10% (10%)	266,677 (273,991)	1,011,563 (1,004,249)
Unlisted equity investments	5% (5%)	361,002 (373,189)	299,807 (287,620)	5% (5%)	202,052 (215,238)	335,383 (319,213)

(f) Offsetting financial assets and financial liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

Financial assets	Gross amounts of recognised financial assets HK\$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position HK\$'000	Net Amount HK\$'000
As at 31 December 2015					
Trading securities	785,798	-	785,798	(229,124)	556,674
Debtors, deposit and prepayments	368,221	-	368,221	-	368,221
As at 31 December 2014					
Trading securities	726,094	-	726,094	(310,793)	415,301
Debtors, deposit and prepayments	370,797	-	370,797	-	370,797

39. Financial Instruments (continued)**(f) Offsetting financial assets and financial liabilities (continued)**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

Financial liabilities	Gross amounts of recognised financial liabilities HK\$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK\$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000	Related amounts not set off in the consolidated statement of financial position HK\$'000	Net Amount HK\$'000
As at 31 December 2015					
Trading securities	239,144	–	239,144	(229,124)	10,020
Creditors, deposit received and accrued charges	85,384	–	85,384	–	85,384
As at 31 December 2014					
Trading securities	327,637	–	327,637	(310,793)	16,844
Creditors, deposit received and accrued charges	55,701	–	55,701	–	55,701

Reconciliation to the net amount of financial assets and financial liabilities presented in the consolidated statement of financial position

Financial assets	Net amount HK\$'000	Carrying amounts in the consolidated statement of financial position HK\$'000	Financial assets not in scope of offsetting disclosure HK\$'000	Note
As at 31 December 2015				
Trading securities	785,798	1,070,292	284,494	24
Debtors, deposit and prepayments	368,221	1,451,643	1,083,422	23
As at 31 December 2014				
Trading securities	726,094	1,357,918	631,824	24
Debtors, deposit and prepayments	370,797	1,194,684	823,887	23

Financial liabilities	Net amount HK\$'000	Carrying amounts in the consolidated statement of financial position HK\$'000	Financial liabilities not in scope of offsetting disclosure HK\$'000	Note
As at 31 December 2015				
Trading securities	239,144	239,144	–	24
Creditors, deposit received and accrued charges	85,384	1,327,476	1,242,092	28
As at 31 December 2014				
Trading securities	327,637	327,637	–	24
Creditors, deposit received and accrued charges	55,701	1,025,892	970,191	28

40. Fair Values of Financial Instruments

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group uses a valuer independent from the investment teams to perform valuations of financial instruments, including available-for-sale equity securities and financial assets designated at fair value through profit or loss which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the Chief Financial Officer and the Audit and Risk Management Committee. A valuation report with analysis of changes in fair value measurement is prepared by the valuer at each interim and annual reporting date, and is reviewed and approved by the Chief Financial Officer. Discussion of the valuation process and results with the Chief Financial Officer and the Audit and Risk Management Committee is held twice a year to coincide with the reporting dates.

As at 31 December 2015

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement Assets				
Available-for-sale securities	15,290,870	138,168	6,324,293	21,753,331
Financial assets designated at fair value through profit or loss	1,816,805	–	9,944,002	11,760,807
Trading securities	720,563	349,729	–	1,070,292
	17,828,238	487,897	16,268,295	34,584,430
Liabilities				
Notes payable	–	–	(57,000)	(57,000)
Trading securities	(232,146)	(6,998)	–	(239,144)
	(232,146)	(6,998)	(57,000)	(296,144)

40. Fair Values of Financial Instruments (continued)

As at 31 December 2014

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement				
Assets				
Available-for-sale securities	12,119,288	–	6,889,233	19,008,521
Financial assets designated at fair value through profit or loss	2,042,948	–	5,528,414	7,571,362
Trading securities	1,056,368	301,550	–	1,357,918
	15,218,604	301,550	12,417,647	27,937,801
Liabilities				
Notes payable	–	–	(57,000)	(57,000)
Trading securities	(257,833)	(69,804)	–	(327,637)
	(257,833)	(69,804)	(57,000)	(384,637)

As at 31 December 2015, three of the available-for-sale securities with a fair value of HK\$2,816,286,000, HK\$416,136,000 and HK\$792,648,000 respectively were previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs (2014: HK\$854,551,000). As an unadjusted quoted price is available in the active market, the fair value measurement of these equity securities were accordingly transferred from level 3 to level 1 of the fair value hierarchy.

As at 31 December 2015, one of the available-for-sales securities with a fair value of HK\$132,864,000 was previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. During the current period, observable inputs were obtained and applied to the valuation technique, accordingly the investment was transferred from Level 3 to Level 2 of the fair value hierarchy during the period.

As at 31 December 2015, one of the available-for-sales securities with a fair value of HK\$5,305,000 was previously using an unadjusted quoted price in the active market. During the current period, as an unadjusted quoted price is no longer available in the active market and observable inputs were obtained and applied to the valuation technique, accordingly the investment was transferred from Level 1 to Level 2 of the fair value hierarchy.

As at 31 December 2015, one of the financial assets designated at fair value through profit or loss with a fair value of HK\$82,945,000 was previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As unadjusted quoted price is available in active market, the fair value measurement of these equity securities were accordingly transferred from level 3 to level 1 of the fair value hierarchy.

As at 31 December 2014, one of the financial assets designated at fair value through profit or loss with a fair value of HK\$1,452,844,000 was previously using an adjusted quoted market price. As unadjusted quoted price is available in active market, the fair value measurement of this equity security was accordingly transferred from Level 2 to Level 1 of the fair value hierarchy.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

40. Fair Values of Financial Instruments (continued)

Valuation techniques and inputs used in level 2 fair value measurements

The fair value of listed and unlisted debt securities and derivatives in level 2 is determined using broker quotes.

Information about Level 3 fair value measurements

As at 31 December 2015

Valuation techniques	Significant unobservable inputs	Range	Increase/ (decrease) in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss HK\$'000	Favourable/ (unfavourable) impact on other comprehensive income HK\$'000
Market comparable companies	Discount for lack of marketability	20% to 45%	5% (5%)	(24,133) 24,133	(61,415) 61,415
	Market multiples	1 to 26	5% (5%)	37,460 (37,460)	124,085 (124,085)
Term and reversion approach	Adjusting factor on characteristic of the properties	0.76 to 0.87	5% (5%)	– –	10,868 (10,868)
Market approach	Adjusting factor on characteristic of the properties	0.89 to 1.16	5% (5%)	– –	18,328 (18,328)

As at 31 December 2014

Valuation techniques	Significant unobservable inputs	Range	Increase/ (decrease) in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss HK\$'000	Favourable/ (unfavourable) impact on other comprehensive income HK\$'000
Market comparable companies	Discount for lack of marketability	20% to 45%	5% (5%)	(911) 911	(102,552) 102,552
	Market multiples	2 to 66	5% (5%)	1,264 (1,264)	177,536 (177,536)
Term and reversion approach	Adjusting factor on characteristic of the properties	0.88 to 0.89	5% (5%)	– –	12,816 (12,816)
Market approach	Adjusting factor on characteristic of the properties	0.84 to 1.05	5% (5%)	– –	10,803 (10,803)

40. Fair Values of Financial Instruments (continued)**Information about Level 3 fair value measurements (continued)**

The fair value of unquoted equity investments is estimated using an appropriate combination of (1) discount cash flow method to devolve the future value of the business into a present market value, (2) deducing from prices recently paid for similar assets and the financial indicators of the transacted assets such as net book value and net operating profit, (3) applying, if possible, price to earnings ("P/E") ratios, price to book ("P/B") ratios, enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") ratios and enterprise value to sales ("EV/Sales") ratios for similar listed companies adjusted to reflect the specific circumstances of the investments, (4) applying residual approach to deduct the estimated construction cost, interest and developer's profit from the gross development value, and (5) applying replacement cost approach to estimate the market value for the existing use of the land, plus the current cost of replacement of the improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

The fair value of convertible notes is estimated discounting future cash flows. Future cash flows are estimated based on management's best estimate of the amount it would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions. The discount rate used is a market rate for a similar instrument at the end of the reporting period. The fair value of an option contract is determined by applying an option valuation model such as the Black-Scholes valuation model. Inputs are based on market related data at the end of the reporting period.

The movement during the year in the balance of Level 3 financial instruments is as follows:

	Trading securities HK\$'000	Available-for-sale securities HK\$'000	Financial assets designated at fair value through profit or loss HK\$'000	Financial liabilities designated at fair value through profit or loss HK\$'000	Notes payable HK\$'000
At 1 January 2014	16,823	6,327,390	2,536,209	(7,268)	(47,000)
Purchased/(issued)	–	1,879,601	3,287,994	–	(10,000)
Net unrealised gain or loss recognised in other comprehensive income	–	1,069,783	–	–	–
Net unrealised gain or loss recognised in profit or loss	–	–	(102,682)	–	–
(Sales)/repurchased	(16,823)	(1,080,087)	(193,107)	7,268	–
Reclassification	–	(1,307,454)	–	–	–
At 31 December 2014 and 1 January 2015	–	6,889,233	5,528,414	–	(57,000)
Purchased	–	2,604,978	6,454,997	–	–
Net unrealised gain or loss recognised in other comprehensive income	–	2,787,025	–	–	–
Net unrealised gain or loss recognised in profit or loss	–	–	(167,730)	–	–
Sales	–	(2,028,702)	(1,559,041)	–	–
Reclassification	–	(3,928,241)	(312,638)	–	–
At 31 December 2015	–	6,324,293	9,944,002	–	(57,000)

41. Notes to the Consolidated Cash Flow Statement

Reconciliation of profit before taxation to net cash outflow from operating activities:

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	5,773,746	2,972,167
Interest income on bank deposits	(44,280)	(51,458)
Interest expenses	336,947	220,712
Dividend income	(840,324)	(715,791)
Share of profits less losses of joint ventures	7,702	(115,779)
Share of profits less losses of associates	(3,263,139)	(1,138,762)
Gain on deemed disposal of interest in associates	(1,304,042)	–
Gain on deemed disposal of interest in a joint venture	–	(139,654)
Depreciation expenses	22,281	21,973
Realised gain on disposal of a joint venture	(2,537)	–
Realised gain on disposal of an associate	(1,286)	–
Net realised gain on disposal of financial asset designated at fair value through profit or loss	(873,343)	(32,474)
Net unrealised loss/(gain) on financial asset designated at fair value through profit or loss	591,672	(685,366)
Gain on losing control of subsidiaries	(33)	(818)
Net realised gain on disposal of available-for-sale securities	(513,432)	(519,698)
Net deficit/(surplus) on revaluation of investment properties	600	(5,500)
Impairment loss on available-for-sale securities	407,778	191,374
Impairment loss on finance lease receivable	196,295	–
Impairment loss on amount due from an investee company	–	12,125
Reversal of impairment loss on amount due from an investee company	(4,398)	–
Reversal of impairment loss on debtors, deposits and prepayments	(36,018)	–
Impairment loss of goodwill	3,606	9,751
Profit from disposal group held for sale	(56,423)	–
Cash inflow before working capital changes	401,372	22,802
Decrease/(increase) in advances to customers	801,753	(2,355,620)
Increase in finance lease receivables	(297,229)	–
(Increase)/decrease in debtors, deposits and prepayments	(392,963)	431,987
(Increase)/decrease in amounts due from joint ventures	(2,844)	440
Decrease in amount due from an associate	857	497
Decrease/(increase) in trading securities	199,133	(637,380)
Decrease/(increase) in amount due from an investee company	233,006	(365,503)
Increase in creditors, deposits received and accrued charges	406,856	276,343
Decrease in amount due to a joint venture	(67)	(1,703)
Increase in amount due to an investee company	159,831	–
Hong Kong profits tax paid	(867)	(19,167)
Overseas profits tax paid	(226,154)	(113,921)
Interest paid	(337,056)	(220,999)
Net cash inflow/(outflow) from operating activities	945,628	(2,982,224)

42. 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:

Fund Management Business

Fund management business refers that the Group raises funds from specific clients, applies its knowledge and experience to make investment decisions on the capital raised from external investors and the seed capital from the Group, according to laws, regulations and the fund's prospectus, while seeking to maximise gains for investors. The fund management business is comprised of primary market investment, secondary market investment, mezzanine funds and Everbright Prestige.

- Primary market investment includes:
 - 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 through other exit channels;
 - Venture capital funds – invest primarily in companies at the start-up and development stage, or companies which are still in the business planning stage. The investment goal is to achieve a higher return assuming manageable and higher risk by providing investee companies with assistance in investment, financing, management and listing in order to enhance the development of such companies; and
 - Sector focus funds – focus specifically on long-term equity investment in specific industries or merger and acquisition opportunities. The investment areas include real estate, infrastructure, medical and healthcare, resources assets (including low carbon and new energy industries), as well as merger and acquisition opportunities.
- Secondary market investment – provides a diversified range of financial services, including asset management, investment management and investment advisory activities. Products include absolute return funds, bond funds and equity funds.
- Mezzanine funds – focus on private equity investment, pre-IPO financing and structured financing for listed companies and major shareholders of listed companies. It uses foreign currencies and/or renminbi flexibly to fulfill the onshore and offshore financial needs of its target companies. The investment team follows clear, uncomplicated investment philosophies by adopting a conservative, diversified and flexible investment approach that aims for above-market returns on investment with below-average levels of business risk.
- Everbright Prestige – Everbright Prestige engages in asset management for specific clients and other business activities authorised by the China Securities Regulatory Commission. The business can provide advisory services directly to specific customers including Qualified Foreign Institutional Investors, onshore insurance companies and other institutions which are set up and operated according to the law. Everbright Prestige has become an important carrier and business platform for the Group's asset management business in mainland China, demonstrating its value in four areas including AUM contribution, product creation and design, distribution channels and client consolidation, and the creation of more "Everbright" synergy.

Principal Investment

The Group fully utilises its proprietary capital to achieve three goals: (1) nurturing investment teams and developing high quality financial products to support fund management; (2) investing in the Group's or external projects, funds or products to maximise returns within controlled risk levels and contribute to steady long-term revenue, (3) improving cash flow by treasury management.

Strategic Investment

This represent strategic investment in Everbright Securities and Everbright Bank.

42. Segment Information (continued)

Other segments

Those which do not meet the threshold to be reportable and include the Group's investment in properties and certain financial assets and liabilities generated from corporate investments.

(a) Business segments

For the year ended 31 December 2015:

	Continuing operations										Discontinued operations
	Fund Management Business										Total HK\$'000
	Primary Market HK\$'000	Secondary Market HK\$'000	Mezzanine Fund HK\$'000	Everbright Prestige HK\$'000	Principal Investment HK\$'000	Strategic Investment HK\$'000	Reportable segments total HK\$'000	All other segments HK\$'000	Sub-total HK\$'000	Principal Investment HK\$'000	
REVENUE											
Operating income from external customers	585,852	205,964	24,874	-	944,449	365,720	2,126,859	5,046	2,131,905	-	2,131,905
Other net income from external customers	834,574	(6,989)	-	-	(62,798)	87,978	852,765	(45,568)	807,197	-	807,197
Total operating income and other net income	1,420,426	198,975	24,874	-	881,651	453,698	2,979,624	(40,522)	2,939,102	-	2,939,102
RESULTS AND RECONCILIATION OF SEGMENT RESULTS											
Segment results before non-controlling interests	927,501	118,423	18,028	(1,769)	184,996	444,247	1,691,426	(44,511)	1,646,915	56,423	1,703,338
Unallocated head office and corporate expenses											(489,071)
Share of profits less losses of associates, as per the associates' financial statements	(36,650)	-	-	29,546	136,434	3,075,809	3,205,139	-	3,205,139	-	3,205,139
Share of profits less losses of joint ventures, as per the joint ventures' financial statements	(7,702)	-	-	-	-	-	(7,702)	-	(7,702)	-	(7,702)
Net gain on deemed disposal of interest in associates	-	-	-	-	(20,503)	1,324,545	1,304,042	-	1,304,042	-	1,304,042
Adjustments to share of profit less losses to conform with the Group's accounting policies	42,000	-	-	-	-	16,000	58,000	-	58,000	-	58,000
Profit before taxation											5,773,746
Less: non-controlling interests	(188,294)	3,586	(3,757)	-	10,977	-	(177,488)	185	(177,303)	-	
Segment results	736,855	122,009	14,271	27,777	311,904	4,860,601	6,073,417	(44,326)	6,029,091	56,423	
Interest income	55,891	20,872	1,877	-	521,710	-	600,350	(1,349)	599,001	-	599,001
Finance costs	898	5,342	-	-	80,775	-	87,015	249,932	336,947	-	336,947
Depreciation expenses	1,455	1,630	7	-	3,363	-	6,455	15,826	22,281	-	22,281
Impairment loss on available-for-sale securities	197,083	-	-	-	210,695	-	407,778	-	407,778	-	407,778

42. Segment Information (continued)**(a) Business segments (continued)**

For the year ended 31 December 2014 (Restated):

	Fund Management Business						Reportable segment total HK\$'000	All other segments HK\$'000	Total HK\$'000
	Primary Market HK\$'000	Secondary Market HK\$'000	Mezzanine Fund HK\$'000	Everbright Prestige HK\$'000	Principal Investment HK\$'000	Strategic Investment HK\$'000			
REVENUE									
Operating income from external customers	596,757	157,621	43,304	–	499,737	353,714	1,651,133	36,477	1,687,610
Other net income from external customers	877,560	800	–	–	165,252	251,802	1,295,414	16,918	1,312,332
Total operating income and other net income	1,474,317	158,421	43,304	–	664,989	605,516	2,946,547	53,395	2,999,942
RESULTS AND RECONCILIATION OF SEGMENT RESULTS									
Segment results before non-controlling interests	938,353	46,576	30,584	–	193,589	599,505	1,808,607	53,396	1,862,003
Unallocated head office and corporate expenses									(284,031)
Share of profits less losses of associates, as per the associates' financial statements	83,693	–	–	11,755	84,813	888,673	1,068,934	–	1,068,934
Share of profits less losses of joint ventures, as per the joint ventures' financial statements	114,785	–	–	–	37,437	–	152,222	–	152,222
Gain on deemed disposal of interest in a joint venture	–	–	–	–	139,654	–	139,654	–	139,654
Adjustments to share of profits less losses to conform with the Group's accounting policies	3,558	–	–	–	–	167,991	171,549	(138,164)	33,385
Profit before taxation									2,972,167
Less: non-controlling interests	(338,517)	–	–	–	12,395	–	(326,122)	2,539	
Segment results	801,872	46,576	30,584	11,755	467,888	1,656,169	3,014,844	(82,229)	
Interest Income	75,047	17,189	184	–	330,656	–	423,076	31,121	454,197
Finance costs	173	6,277	–	–	96,919	–	103,369	117,343	220,712
Depreciation expenses	1,260	1,578	–	–	684	–	3,522	18,451	21,973
Impairment loss on available-for-sale securities	138,169	4,620	–	–	–	–	142,789	48,585	191,374

[illegible]

(a) Business segments (continued)

As at 31 December 2014 (Restated):

[illegible]

42. Segment Information (continued)

(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 property, plant and equipment, 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 2015 mainland			For the year ended 31 December 2014 mainland		
	Hong Kong HK\$'000	China HK\$'000	Total HK\$'000	Hong Kong HK\$'000	China HK\$'000	Total HK\$'000
Segment revenue						
Operating income	891,476	1,240,429	2,131,905	726,044	961,566	1,687,610
Other net income	591,918	215,279	807,197	887,533	424,799	1,312,332
	1,483,394	1,455,708	2,939,102	1,613,577	1,386,365	2,999,942

	For the year ended 31 December 2015 mainland			For the year ended 31 December 2014 mainland		
	Hong Kong HK\$'000	China HK\$'000	Total HK\$'000	Hong Kong HK\$'000	China HK\$'000	Total HK\$'000
Specified non-current assets	1,882,135	15,249,775	17,131,910	1,522,620	12,075,854	13,598,474

43. Accounting Estimates and Judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Changes in assumptions may have a significant impact on the financial statements in the periods where the assumptions are changed. The application of assumptions and estimates means that any selection of different assumptions would cause the Group's reporting to differ. The Group believes that the assumptions that have been made are appropriate and that the financial statements therefore present the financial position and results fairly, in all material respects. Management has discussed with the Audit and Risk Management Committee the development, selection and disclosure of the Group's significant accounting policies and estimates and the application of these policies and estimates.

43. Accounting Estimates and Judgements (continued)**(a) Sources of estimation uncertainty****(i) Unlisted investments**

The fair value of unlisted available-for-sale securities and other non-trading securities are significantly affected by the combination of valuation methodologies employed, the parameters used and, if required, the related comparable companies chosen. The valuation methodologies and the source of parameters adopted by the Group are discussed in note 40.

(ii) Advances to customers

Advances to customers are reviewed periodically to assess whether impairment losses exist. The Group makes judgements as to whether there is any objective evidence that an advance is impaired, i.e. whether there is a decrease in estimated future cash flows. If management has determined, based on their judgement, that objective evidence for impairment exists, expected future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of the current observable data. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss experience.

(iii) Derivative instruments

The Group has certain derivatives of which the fair value is determined by valuation models that involve significant unobservable inputs. A high degree of management judgement and estimation is required in determination of fair value. Note 40 contain information about the assumptions and the risk factors relating to valuation of derivatives where direct market prices are not available.

(iv) Tax provision

The Group's taxation provision is based on management's assessment of the estimated assessable profits for the year taking into consideration tax legislations in Hong Kong and the relevant overseas jurisdictions.

(b) Critical accounting judgements in applying the Group's accounting policies**(i) Involvement with unconsolidated structured entities**

Disclosures of interests in unconsolidated structured entities provide information on involvement in these entities which exposes the Group to variability of returns from the performance of the other entity. Involvement is considered on a case-by-case basis, taking into account the nature of the entity's activity. This could include holding debt and equity instruments, or the provision of structured derivatives, but excludes involvement that exist only because of typical customer supplier relationships, such as market-making transactions to facilitate secondary trading or senior lending in the normal course of business.

44. Banking Facilities and Pledge of Assets

Aggregate banking facilities of the Group as at 31 December 2015 amounted to approximately HK\$16,996 million (2014: approximately HK\$9,497 million). The Group has utilised approximately HK\$13,454 million (2014: HK\$8,586 million) of these facilities.

As at 31 December 2015, no fixed deposits (2014: HK\$722,734,000) was pledged to secure banking facilities (note 25).

Pursuant to the prime brokerage agreements entered with the prime brokers of a fund held by the Group, cash and securities deposited with the prime brokers are secured against liabilities to the prime brokers. As at 31 December 2015, assets deposited with the prime brokers include HK\$635,540,391 (2014: HK\$600,779,395) and HK\$276,263,352 (2014: HK\$220,093,611) which form part of the Group trading securities and debtors respectively.

45. Non-adjusting Events After the Reporting Period

On 25 February 2016, Pioneer Act Investments Limited ("Pioneer Act") (a wholly owned subsidiary of the Company) and Everbright Real Estate Limited ("EB Real Estate") (a fellow subsidiary of the Company) have formed Profit Plus Global Limited ("Profit Plus") which is owned as to approximately 16.67% by Pioneer Act and 83.33% by EB Real Estate for the purpose of the acquisition of SEA (BVI) Limited ("Target Company") which indirectly holds the Dah Sing Financial Centre ("the Property").

On the same date, Pioneer Act, EB Real Estate and Profit Plus also entered into the Shareholders' Agreement in relation to, inter alia, the funding for the Acquisition and the management of the affairs of the Profit Plus. Pursuant to the Shareholders' Agreement, each of Pioneer Act and EB Real Estate agreed to provide the Shareholders' Loan in the amount of HK\$1,000,000,000 and HK\$5,000,000,000, respectively, to Profit Plus, in proportion to their respective shareholding in the Joint Venture.

Pursuant to the Sale and Purchase Agreement, Profit Plus (through its wholly owned subsidiary) will acquire the entire issued share capital of the Target Company, which indirectly holds the Property, from the Vendor of the Target Company. The consideration for the Acquisition shall be HK\$10,000,000,000, and will be satisfied by (i) the shareholders' loans and (ii) secured loan facilities to be taken out by Profit Plus and/or any of its wholly owned subsidiaries.

The Property is the entire office building located at No.108 Gloucester Road, Wanchai, Hong Kong, which is currently known as "Dah Sing Financial Centre". The Property is intended to be held by China Everbright Holdings Company Limited ("CE Hong Kong") and the Group as long-term investment. The Property will be used by the Group and CE Hong Kong (together with their respective affiliates) as offices and any surplus space will be leased out to other tenants.

46. Approval of Financial Statements

The financial statements on pages 110 to 192 were approved and authorised for issue by the Board of Directors on 23 March 2016.

47. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the year ended 31 December 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKFRS 10 and HKAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	1 January 2016
Amendments to HKFRS 11, <i>Accounting for acquisitions of interests in joint operations</i>	1 January 2016
Amendments to HKAS 1, <i>Disclosure initiative</i>	1 January 2016
Amendments to HKAS 16 and HKAS 38, <i>Clarification of acceptable methods of depreciation and amortisation</i>	1 January 2016
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2017
HKFRS 9, <i>Financial instruments</i>	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY

Results

	For the years ended				31.12.2015 HK\$'000
	31.12.2011 HK\$'000	31.12.2012 HK\$'000	31.12.2013 HK\$'000	31.12.2014 HK\$'000	
Turnover	3,089,975	4,050,657	8,157,205	6,622,673	10,411,567
Operating profit after finance costs	901,382	1,412,858	1,556,452	1,577,972	1,157,844
Gain on deemed disposal of interest in a joint venture	–	–	–	139,654	–
Net gain on deemed disposal of interest in associates	–	–	–	–	1,304,042
Share of adjusted profits less losses of associates and joint ventures	617,584	168,701	243,188	1,254,541	3,255,437
Profit before taxation	1,518,966	1,581,559	1,799,640	2,972,167	5,717,323
Income tax	(184,964)	(213,837)	(51,742)	(88,896)	(452,449)
Profit after taxation before discontinued operations	1,334,002	1,367,722	1,747,898	2,883,271	5,264,874
Discontinued operations	522,447	–	–	–	56,423
Profit for the year	1,856,449	1,367,722	1,747,898	2,883,271	5,321,297
Attributable to:					
Equity shareholders of the Company	1,922,705	1,141,555	1,346,548	2,559,688	5,143,994
Non-controlling interests	(66,256)	226,167	401,350	323,583	177,303
	1,856,449	1,367,722	1,747,898	2,883,271	5,321,297
Earnings per share (HK\$)	1.116	0.663	0.783	1.514	3.052

Assets and Liabilities

	As at				31.12.2015 HK\$'000
	31.12.2011 HK\$'000	31.12.2012 HK\$'000	31.12.2013 HK\$'000	31.12.2014 HK\$'000	
Total assets	31,100,416	32,258,079	37,054,770	52,634,371	65,281,043
Total liabilities	(2,827,688)	(2,301,800)	(5,325,857)	(14,443,785)	(22,333,534)
Non-controlling interests	(1,807,391)	(1,844,277)	(3,024,926)	(3,216,456)	(3,581,344)
Shareholders' fund	26,465,337	28,112,002	28,703,987	34,974,130	39,366,165

PARTICULARS OF MAJOR PROPERTIES

Location	Site area/Gross floor area	Tenure	Use
Hong Kong			
46th Floor, Far East Finance Centre, 16 Harcourt Road	Gross floor area of 10,800 sq. ft.	Government lease for 75 years from 23rd July 1980, renewable for another 75 years	Commercial
40th Floor, Far East Finance Centre, 16 Harcourt Road	Gross floor area of 10,800 sq. ft.	Government lease for 75 years from 23rd July 1980, renewable for another 75 years	Commercial
Flat A, 27/F, 1 Star Street, Wanchai	Gross floor area of 655 sq. ft.	Government lease for 75 years from 22nd August 1928 (extended for another 75 years)	Residential
Flat H, 6th Floor, Tower 10, South Horizons, Ap Lei Chau	Gross floor area of 1,096 sq. ft.	Government lease from 28th January 1988 to 31st March 2040	Residential
Flat G, 40th Floor and the Roof Terrace, Tower 17, South Horizons, Ap Lei Chau	Gross floor area of 2,195 sq. ft.	Government lease 28th January 1988 to 31st March 2040	Residential
Flat H, 22nd Floor, Tower 21, South Horizons, Ap Lei Chau	Gross floor area of 1,107 sq. ft.	Government lease from 28th January 1988 to 31st March 2040	Residential
Car Parking Space Nos. 230 and 241 on Podium Level 1, Phase II, Car Parking Space No. 9 on Podium Level 2, Phase III, South Horizons, Ap Lei Chau	Not applicable	Government lease from 28th January 1988 to 31st March 2040	Carpark
Mainland China			
Units 1-17, 8th Floor, Industrial Bank Building, 4013 Shennan Road, Futian District, Shenzhen	Gross floor area of 1,241.25 sq.m.	Land use rights for 50 years from 27th December 2000	Commercial
Unit 1300, Level 13, China Overseas International Center, 28 Ping'anli West Street, Xicheng District, Beijing	Gross floor area of 1,474.42 sq.m.	Land use rights for 50 years from 7th March 2004	Commercial
Level 25, 21 Century Center, No. 210 Century Road, Pudong New District, Shanghai	Gross floor area of 1,976.23 sq.m.	Land use rights for 50 years from 25th February 1997	Commercial

CORPORATE INFORMATION

Board of Directors

Tang Shuangning	Chairman
Liu Jun	Deputy Chairman
Chen Shuang	Chief Executive Officer
Tang Chi Chun, Richard	Chief Financial Officer
Jiang Yuanzhi	Chief Investment Officer
Wang Weimin [#]	
Seto Gin Chung, John [*]	
Lin Zhijun [*]	
Chung Shui Ming, Timpson [*]	

[#] Non-executive Director

^{*} Independent Non-executive Directors

Company Secretary

Chan Ming Kin, Desmond

Registered Office

46th Floor
Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal Bankers

China Everbright Bank Company Limited
Industrial and Commercial Bank of China (Asia) Limited
China Construction Bank Corporation
Bank of Communications Company, Limited
Shanghai Pudong Development Bank Company, Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited

Legal Advisors

Grandall Legal Group (Shanghai) Office

Share Registrars

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditors

KPMG

Website Address

<http://www.everbright165.com>

Investor Relations Contact

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