光大控股
EVERBRIGHT

CHINA EVERBRIGHT LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 165)

ANNOUNCEMENT
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the "Board") of China Everbright Limited (the "Company") is pleased to announce that the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 together with relevant comparative figures for the previous year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	**2017 HK$'000**	2016 HK$'000
Continuing operations			
Turnover	*3*	**8,454,405**	8,069,450
Operating income	*3*	**1,766,955**	2,169,815
Other net income	*3*	**3,761,710**	5,215,115
Staff costs		**(525,255)**	(462,295)
Depreciation and amortisation expenses		**(30,960)**	(23,803)
Impairment losses		**(277,997)**	(614,054)
Other operating expenses		**(379,661)**	(272,182)
Profit from operations		**4,314,792**	6,012,596
Finance costs		**(749,311)**	(572,182)
Share of profits less losses of associates	*8*	**1,300,456**	1,227,495
Share of profits less losses of joint ventures	*9*	**72,018**	73,828
Net gain on deemed disposal of interest in associates		**–**	160,631
Profit before taxation		**4,937,955**	6,902,368
Income tax	*4*	**(853,497)**	(1,308,119)
Profit from continuing operations		**4,084,458**	5,594,249
Discontinued operations			
Profit from disposal group held for sale	*5*	**207,604**	78,747
Profit for the year		**4,292,062**	5,672,996

	Note	2017 HK$'000	2016 HK$'000
Profit attributable to equity shareholders of the Company			
Continuing operations		**3,940,738**	4,012,349
Discontinued operations		**207,604**	62,033
		4,148,342	4,074,382
Non-controlling interests		**143,720**	1,598,614
Profit for the year		**4,292,062**	5,672,996
Basic and diluted earnings per share	*7*		
Continuing operations		**HK$2.338**	HK$2.381
Discontinued operations		**HK$0.123**	HK$0.037
		HK$2.461	HK$2.418

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	**4,292,062**	5,672,996
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss		
– Net movement in investment revaluation reserve of available-for-sale securities	**(777,545)**	(3,967,193)
– Share of other comprehensive income of associates	**819,239**	(355,835)
– Share of other comprehensive income of joint ventures	**39,854**	(80,179)
– Exchange reserve	**450,575**	(1,426,698)
	532,123	(5,829,905)
Total comprehensive income for the year	**4,824,185**	(156,909)
Attributable to:		
Equity shareholders of the Company	**4,804,364**	(741,388)
Non-controlling interests	**19,821**	584,479
Total comprehensive income for the year	**4,824,185**	(156,909)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	**31 December 2017 HK$'000**	31 December 2016 HK$'000
Non-current assets			
Property, plant and equipment		**465,379**	475,376
Investment properties		**45,600**	78,700
Amount due from an associate	*8*	**1,000,000**	1,000,000
Amounts due from investee companies	*11*	**187,276**	276,698
Investments in associates	*8*	**18,753,254**	16,087,252
Investments in joint ventures	*9*	**916,208**	351,445
Available-for-sale securities	*10*	**12,196,855**	15,113,907
Financial assets designated at fair value through profit or loss	*11*	**24,705,555**	16,469,069
Advances to customers	*12*	**–**	572,130
Finance lease receivables		**–**	20,138
Other assets		**678,586**	–
		58,948,713	50,444,715
Current assets			
Financial assets designated at fair value through profit or loss	*11*	**–**	737,250
Advances to customers	*12*	**4,350,612**	1,174,508
Finance lease receivables		**21,374**	38,565
Amount due from an associate	*8*	**–**	1,648,988
Debtors, deposits and prepayments	*13*	**1,393,768**	3,331,336
Trading securities		**2,116,500**	1,103,311
Cash and cash equivalents		**5,178,356**	5,959,534
		13,060,610	13,993,492
Assets classified as held for sale	*5*	**908,948**	3,057,129
		13,969,558	17,050,621
Current liabilities			
Amounts due to investee companies	*11*	**–**	(211,632)
Amount due to an associate	*8*	**–**	(44,896)
Trading securities		**(130,581)**	(151,826)
Bank loans	*14*	**(2,611,257)**	(4,147,432)
Creditors, deposits received and accrued charges	*15*	**(2,208,123)**	(1,226,925)
Other financial liabilities		**(266,930)**	(2,217,119)
Notes payable		**(57,000)**	(27,000)
Provision for taxation		**(667,116)**	(1,046,821)
		(5,941,007)	(9,073,651)
Liabilities classified as held for sale	*5*	**(426,502)**	(955,708)
		(6,367,509)	(10,029,359)
Net current assets		**7,602,049**	7,021,262
Total assets less current liabilities		**66,550,762**	57,465,977

	Notes	**31 December 2017 HK$'000**	31 December 2016 HK$'000
Non-current liabilities			
Bank loans	*14*	**(9,374,977)**	(6,387,706)
Other financial liabilities		**(1,262,866)**	(1,443,893)
Notes payable		**–**	(30,000)
Bond payable	*16*	**(12,414,675)**	(8,998,400)
Deferred tax liabilities		**(1,153,249)**	(1,119,583)
		(24,205,767)	(17,979,582)
NET ASSETS		**42,344,995**	39,486,395
CAPITAL AND RESERVES			
Share capital	*17*	**9,618,097**	9,618,097
Reserves		**31,052,314**	27,591,394
Total equity attributable to equity shareholders of the Company		**40,670,411**	37,209,491
Non-controlling interests		**1,674,584**	2,276,904
TOTAL EQUITY		**42,344,995**	39,486,395

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

		Attributable to equity shareholders of the Company									
	Note	**Share capital** HK$'000	**Option premium reserve** HK$'000	**Investment revaluation reserve** HK$'000	**Goodwill reserve** HK$'000	**Capital reserve** HK$'000	**Exchange reserve** HK$'000	**Retained earnings** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
As at 1 January 2016		9,618,097	1,242	11,686,839	(668,499)	(259,340)	821,755	18,166,071	39,366,165	3,581,344	42,947,509
Net investment by non-controlling shareholders		–	–	–	–	–	–	–	–	(1,888,919)	(1,888,919)
Dividend paid	6	–	–	–	–	–	–	(1,263,940)	(1,263,940)	–	(1,263,940)
Share of capital reserve of an associate		–	–	–	–	(151,346)	–	–	(151,346)	–	(151,346)
Profit for the year		–	–	–	–	–	–	4,074,382	4,074,382	1,598,614	5,672,996
Other comprehensive income for the year		–	–	(3,539,167)	–	–	(1,276,603)	–	(4,815,770)	(1,014,135)	(5,829,905)
As at 31 December 2016 and 1 January 2017		9,618,097	1,242	8,147,672	(668,499)	(410,686)	(454,848)	20,976,513	37,209,491	2,276,904	39,486,395
Net investment by non-controlling shareholders		–	–	–	–	(93,924)	–	–	(93,924)	(622,141)	(716,065)
Dividend paid	6	–	–	–	–	–	–	(1,263,940)	(1,263,940)	–	(1,263,940)
Share of capital reserve of an associate		–	–	–	–	14,420	–	–	14,420	–	14,420
Profit for the year		–	–	–	–	–	–	4,148,342	4,148,342	143,720	4,292,062
Other comprehensive income for the year		–	–	(898,119)	–	–	1,554,141	–	656,022	(123,899)	532,123
As at 31 December 2017		9,618,097	1,242	7,249,553	(668,499)	(490,190)	1,099,293	23,860,915	40,670,411	1,674,584	42,344,995

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(805,590)**	(1,244,367)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(9,220)**	(8,016)
Proceeds from disposal of investment properties	**38,260**	–
Purchase of available-for-sale securities	**(22,820)**	(553,184)
Purchase of financial assets designated at fair value through profit or loss	**(11,823,550)**	(9,543,604)
Decrease in other financial liabilities	**(1,856,473)**	(1,203,353)
Investments in associates	**(1,824,366)**	(1,749,849)
Net cash from losing control of subsidiaries	**(144,619)**	(560,926)
Purchase of disposal group held for sale	**–**	(1,177,283)
Payment in obtaining control of a subsidiary	**–**	(180,081)
Net cash from disposal group held for sale	**379,211**	–
Investment in joint ventures	**(345,258)**	(11,248)
Proceeds from disposal of available-for-sale securities	**3,733,557**	4,709,288
Proceeds from disposal of financial assets designated at fair value through profit or loss	**7,315,964**	6,543,999
Proceeds from disposal of an associate	**1,091,309**	1,295,626
Bank interest received	**69,371**	57,110
Dividend from investments in equity securities	**596,381**	1,053,701
Dividend from associates	**427,977**	848,637
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(2,374,276)**	(479,183)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	**(3,179,866)**	(1,723,550)

	2017	2016
	HK$'000	HK$'000
FINANCING ACTIVITIES		
Issue of shares in subsidiaries to non-controlling shareholders	**263,446**	52,196
Redemption of shares by non-controlling shareholders	**(7,907)**	(601,551)
Proceeds from bank loans	**15,987,449**	13,565,535
Repayment of loan from a fellow subsidiary and shareholder	**–**	(1,000,000)
Proceeds from issue of bond payable	**2,955,875**	8,998,400
Repayment of bank loans	**(14,698,806)**	(16,338,964)
Dividend paid to non-controlling shareholders	**(850,587)**	(446,638)
Dividend paid	**(1,263,940)**	(1,263,940)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**2,385,530**	2,965,038
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(794,336)**	1,241,488
CASH AND CASH EQUIVALENTS		
Beginning of year	**5,959,534**	4,688,256
Exchange rate adjustments	**13,158**	29,790
End of year	**5,178,356**	5,959,534

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The financial report, which has been reviewed by the Company's Audit and Risk Management Committee, is prepared on a basis consistent with the accounting policies and methods adopted in the 2016 annual financial statements except for the changes in accounting policies described in note 2.

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2017 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The accounting 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.

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.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in the note to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

3. TURNOVER, OPERATING INCOME AND OTHER NET INCOME

Turnover from operations represents the aggregate of service fee income, interest income, dividend income, rental income from investment properties, rental income from finance leases 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:

	2017	2016
	HK$'000	HK$'000
Operating income		
Consultancy and management fee income	**506,760**	811,699
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	**69,371**	57,110
– advances to customers	**294,558**	145,426
– unlisted debt securities	**34,305**	33,591
Dividend income		
– listed investments	**214,457**	427,589
– unlisted investments	**361,554**	643,621
Net realised gain/(loss) on trading securities		
– equity securities	**184,019**	63,686
– debt securities	**3,457**	6,258
– derivatives	**(201)**	(669)
Net unrealised gain/(loss) on trading securities		
– equity securities	**83,437**	(56,196)
– debt securities	**7,917**	11,973
– derivatives	**1,634**	(2,879)
Rental income from investment properties	**2,851**	23,626
Rental income from finance leases	**2,836**	4,980
	1,766,955	2,169,815
Other net income		
Net realised gain on disposal of available-for-sale securities	**2,058,420**	2,594,412
Net realised gain on disposal of financial assets designated at fair value through profit or loss	**309,216**	1,058,729
Net realised loss on discharge of a financial liability designated at fair value through profit or loss	**(202,996)**	–
Changes in unrealised profit or loss on financial assets designated at fair value through profit or loss	**1,172,703**	(1,272,180)
Gain on losing control of subsidiaries	**60,384**	2,307,678
Gain on disposal of investment properties	**360**	–
Reversal of impairment loss on debtors, deposits and prepayments	**5,657**	572
Reversal of impairment loss on amount due from an investee company	**–**	3,076
Realised gain on disposal of associates	**293,503**	344,378
Net exchange (loss)/gain	**(33,929)**	118,364
Net surplus on revaluation of investment properties	**4,800**	14,700
Others	**93,592**	45,386
	3,761,710	5,215,115

4. INCOME TAX

The provision for Hong Kong profits tax is calculated at 16.5% (2016: 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 jurisdictions.

The amount of taxation charged to the consolidated statement of profit or loss represents:

	2017	2016
	HK$'000	HK$'000
Continuing operations		
Current taxation		
– Hong Kong profits tax	**97,574**	8,300
– Overseas taxation	**660,422**	1,155,240
– Over provision of taxation in prior years	**(182,274)**	(21,042)
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	**277,775**	165,621
Income tax	**853,497**	1,308,119

Reconciliation between income tax and accounting profit at applicable tax rates:

	2017	2016
	HK$'000	HK$'000
Continuing operations		
Profit before taxation	**4,937,955**	6,902,368
Calculated at the rates applicable to profits in the tax jurisdictions concerned	**893,953**	1,491,161
Tax effect of income not subject to taxation	**(283,917)**	(655,553)
Tax effect of expenses not deductible for taxation purposes	**221,103**	414,230
Tax effect of utilisation of previously unrecognised losses	**(1,816)**	(1,536)
Tax effect of tax losses and other deductible temporary differences not recognised	**206,448**	80,859
Over provision of taxation in prior years	**(182,274)**	(21,042)
Income tax	**853,497**	1,308,119

5. DISCONTINUED OPERATIONS

On 6 November 2015, the Group acquired 59% equity interest in Lapmaster Group Holdings, LLC ("Lapmaster"). Lapmaster is headquartered in Chicago, USA, and is a developer and manufacturer for highly engineered precision surface finishing equipment and consumables with global presence. On 15 November 2017, the Group transferred its equity interest in Lapmaster to CEL Global Investment Fund, L.P. (the "Global Investment Fund"), an unconsolidated investment fund managed by the Group.

The Group acquired 100% equity interest in Tirana International Airport SHPK ("Tirana Airport") on 6 October 2016 and the investment was injected into Everbright Overseas Infrastructure Investment Fund LP, a subsidiary, on 14 July 2017. Tirana Airport is the only officially operated civil international airport in Albania.

As at 31 December 2017, the Group classified equity interest in Tirana Airport and the Everbright Overseas Infrastructure Investment Fund LP as disposal group held for sale (the "Disposal Group"), with a view to hold them for resale within one year.

The above equity interests 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*. 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.

6. DIVIDENDS

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

	2017	2016
	HK$'000	HK$'000
– Interim dividend declared and paid of HK$0.25 (2016: HK$0.25) per share	**421,313**	421,313
– Final dividend proposed after the end of the reporting period date of HK$0.6 (2016: HK$0.5) per share	**1,011,152**	842,627
	1,432,465	1,263,940

The Board of Directors proposed a final dividend of HK$0.6 per share for the year ended 31 December 2017 (2016: HK$0.5 per share). The proposed final dividend is 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

	2017	2016
	HK$'000	HK$'000
– Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.5 (2016: HK$0.5) per share	**842,627**	842,627

7. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the year ended 31 December 2017 is based on the profit attributable to equity shareholders of the Company for continuing and discontinued operations of HK$3,940,738,000 and HK$207,604,000 respectively, (2016: for continuing and discontinued operations of HK$4,012,349,000 and HK$62,033,000 respectively) and the weighted average number of 1,685,253,712 shares (2016: 1,685,253,712 shares) in issue during the year.

8. INVESTMENTS IN ASSOCIATES

(a) Investments in associates

	2017	2016
	HK$'000	HK$'000
Share of net assets	**17,859,284**	16,120,444
Goodwill on acquisition	**893,970**	(33,192)
	18,753,254	16,087,252
Market value of shares listed in mainland China	**22,531,687**	22,622,241
Market value of shares listed in Hong Kong	**1,857,179**	1,766,380

(b) As at 31 December 2017, particulars of the 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)*	23.30% *(note 2)*
China Aircraft Leasing Group Holdings Limited## (“CALGH”)	Cayman Islands	Investment holding *(note 3)*	33.56%*
光大嘉寶股份有限公司### (“Jiabao Group”) (formerly known as 上海嘉寶實業(集團)股份有限公司)	The PRC	Real estate development/ real estate asset management *(note 4)*	29.17%*

Market value of the listed shares in mainland China as at 31 December 2017 was equivalent to HK$17,032,571,000 (2016: HK$20,490,040,000).

Market value of the listed shares in Hong Kong as at 31 December 2017 was HK$1,857,179,000 (2016: HK$1,766,380,000).

Market value of the listed shares in mainland China as at 31 December 2017 was equivalent to HK$5,499,116,000 (2016: HK$2,132,201,000).

* Held indirectly

Note 1: Everbright Securities is the Group’s strategic investment to capitalise on the growth of securities markets in mainland China and Hong Kong.

Note 2: The Group’s equity interest decreased from 24.71% to 23.30% during the year due to partial disposal of the shares of Everbright Securities. Accordingly, a realised gain on disposal of associates amounting to HK$293,503,000 was recognised in the consolidated statement of the 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 the aviation industry. CALGH’s lease offerings are complemented by fleet planning consultation, structured leasing, aircraft trading and re-marketing and aircraft disassembly.

Note 4: Jiabao Group is the Group’s strategic industry investment to capitalise on the growth of real estate development and asset management in mainland China.

For the year ended 31 December 2017, Everbright Securities has recorded an after tax profit of RMB3,127 million (2016: RMB3,077 million) and the Group’s share of profit under the equity accounting method, amounted to HK$835 million (2016: HK$894 million).

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

(c) Amount due from an associate

Amount due from an associate under non-current assets is unsecured, interest-free and has no fixed terms of repayment.

Amount due from an associate under current assets was unsecured, interest-free and repayable within one year.

(d) Amount due to an associate

Amount due to an associate was unsecured, interest-free and had no fixed terms of repayment.

9. INVESTMENTS IN JOINT VENTURES

(a) Investments in joint ventures

	2017	2016
	HK$'000	HK$'000
Carrying value, net	**916,208**	351,445

(b) As at 31 December 2017, details of the Group's principal investments in joint ventures are as follows:

Name of joint venture	Place of incorporation/ operation	Principal activities	Particulars of issued capital	Percentage of equity interest held by the Company
Everbright Guolian Capital Company Limited	The PRC	Venture capital and investment advisory services *(note 1)*	RMB220,000,000	50.0%*
山東高速光控產業投資基金管理有限公司	The PRC	Fund management services *(note 2)*	RMB200,000,000	48.0%*
首譽光控資產管理有限公司	The PRC	Investment holding *(note 3)*	RMB385,000,000	49.0%*

* 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: 首譽光控資產管理有限公司 is one of the Group's assets management companies. The Group's equity interest increased from 35% to 49% during the year due to additional purchase. In addition, given that the relevant activities required more than two-third of the board members' approval. During 2017, the Group obtained additional power from the composition of board members. Accordingly, unanimous consent from both parties shall be obtained to direct the relevant activities. The investment was reclassified from investments in associates to investments in joint ventures.

All of the above joint ventures are unlisted corporate entities whose quoted market prices were not available as at 31 December 2017. They are accounted for using the equity method in the consolidated financial statements.

10. AVAILABLE-FOR-SALE SECURITIES

	2017	2016
	HK$'000	HK$'000
At fair value:		
Listed equity securities		
– in Hong Kong	**346,808**	598,854
– outside Hong Kong	**9,371,810**	10,231,612
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	**2,478,237**	3,777,259
Listed debt securities		
– outside Hong Kong	**–**	67,213
At cost[(i)]:		
Unlisted equity securities	**–**	438,969
	12,196,855	15,113,907

(i) At 31 December 2016, the investments were measured at cost less impairment because the fair value cannot be reliably measured.

The Group's investments in listed equity securities with fair values of HK$121,318,000, HK$348,814,000, HK$758,505,000 and HK$75,988,000 are subject to a lock-up provision which restricted the Group from selling the equity securities on or before 5 May 2018, 19 May 2018, 24 June 2018 and 15 November 2018 respectively.

As at 31 December 2017, 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. Impairment loss of HK$203,247,000 (2016: HK$548,779,000) was charged to the consolidated statement of profit or loss.

	2017	2016
	HK$'000	HK$'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	**346,808**	390,893
– outside Hong Kong	**470,132**	431,544
Unlisted equity securities	**461,187**	457,836
	1,278,127	1,280,273

The Group held the following principal available-for-sale securities as at 31 December 2017:

Company name	**Place of incorporation**	**Principal activities**	**Effective equity interest held by the Group**
China Everbright Bank Company Limited[(i)] ("Everbright Bank")	The PRC	Banking operations	3.00%

(i) At 31 December 2017, the carrying value of interests in Everbright Bank exceeded 10% of the total assets of the Group.

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

	2017	2016
	HK$'000	HK$'000
Non-current assets		
At fair value:		
Listed equity securities		
– in Hong Kong	**–**	66,018
– outside Hong Kong	**509,407**	475,975
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	**20,320,306**	13,251,988
Unlisted convertible preference shares		
– outside Hong Kong	**2,008,098**	1,013,743
Unlisted debt securities		
– outside Hong Kong	**1,867,744**	1,661,345
	24,705,555	16,469,069
Current assets		
At fair value:		
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	**–**	737,250

As at 31 December 2017, the Group's listed and unlisted equity securities amounting to a fair value of HK$15,796,778,000 (2016: HK$10,892,302,000) 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 2017, balances of HK$187,276,000 (2016: HK$276,698,000) were amounts due from 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 2016, balances of HK$211,632,000 were amounts due to investee companies which were associates recognised as financial assets designated at fair value through profit or loss. The amounts due to these investee companies were unsecured, interest free and had no fixed terms of repayment.

12. ADVANCES TO CUSTOMERS

	2017	2016
	HK$'000	HK$'000
Non-current assets		
Term loans to customers		
– secured	**–**	572,130
Current assets		
Term loans to customers		
– secured	**2,501,551**	1,155,772
Less: impairment loss	**(80,921)**	(43,316)
	2,420,630	1,112,456
– unsecured	**1,929,982**	62,052
	4,350,612	1,174,508

Certain term loans to customers are secured by listed and unlisted securities with third parties guarantees.

Except for the above impairment loss of HK$80,921,000 (2016: HK$43,316,000), there were no other significant receivables, that were aged, requiring impairment provision as of 31 December 2017 and 2016.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	2017	2016
	HK$'000	HK$'000
Accounts receivable, net	**364,663**	2,876,215
Deposits, prepayments, interest and other receivables	**1,073,879**	466,173
	1,438,542	3,342,388
Less: allowance for doubtful debts	**(44,774)**	(11,052)
	1,393,768	3,331,336

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

As at 31 December 2017, the Group's receivable of HK$44,774,000 (2016: 11,052,000) was individually determined to be impaired.

14. BANK LOANS

As at 31 December 2017 and 2016, the bank loans were unsecured.

Repayable details as follows:

	2017	2016
	HK$'000	HK$'000
Within 1 year	**2,611,257**	4,147,432
After 1 year but within 5 years	**9,374,977**	6,387,706
	11,986,234	10,535,138

15. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2017	2016
	HK$'000	HK$'000
Creditors, deposits received and accrued charges	**2,208,123**	1,226,925

As at 31 December 2017 and 2016, creditors, deposits received and accrued charges included bonus payable to staff.

16. BOND PAYABLE

	2017	2016
	HK$'000	HK$'000
As at 1 January	**8,998,400**	–
Issued during the year	**2,955,875**	9,251,600
Exchange adjustments	**460,400**	(253,200)
As at 31 December	**12,414,675**	8,998,400

17. SHARE CAPITAL

	2017 No. of shares ('000)	2017 HK$'000	2016 No. of shares ('000)	2016 HK$'000
Ordinary shares issued and fully paid:				
At 1 January	**1,685,254**	**9,618,097**	1,685,254	9,618,097
At 31 December	**1,685,254**	**9,618,097**	1,685,254	9,618,097

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.

18. MATURITY PROFILE

The maturity profile of the Group's certain financial instruments as at the end of the financial year, based on the contractual discounted payments, is as follows:

As at 31 December 2017

	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	–	23,647	2,121,354	2,205,611	–	–	4,350,612
– Finance lease receivables	–	–	26	21,348	–	–	21,374
– Trading securities	1,109,842	–	1,006,658	–	–	–	2,116,500
– Available-for-sale securities	12,196,855	–	–	–	–	–	12,196,855
– Financial assets designated at fair value through profit or loss	22,837,811	–	–	–	1,867,744	–	24,705,555
– Cash and cash equivalents	–	3,734,496	1,443,860	–	–	–	5,178,356
	36,144,508	3,758,143	4,571,898	2,226,959	1,867,744	–	48,569,252
Liabilities							
– Bank loans	–	–	(1,171,320)	(1,439,937)	(9,374,977)	–	(11,986,234)
– Other financial liabilities	–	–	(1,904)	(265,026)	(544,608)	(718,258)	(1,529,796)
– Trading securities	(125,032)	–	(5,549)	–	–	–	(130,581)
– Bond payable	–	–	–	–	(8,276,450)	(4,138,225)	(12,414,675)
– Notes payable	–	(27,000)	–	(30,000)	–	–	(57,000)
	(125,032)	(27,000)	(1,178,773)	(1,734,963)	(18,196,035)	(4,856,483)	(26,118,286)

As at 31 December 2016

	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	37,353	194,472	62,054	880,629	572,130	–	1,746,638
– Finance lease receivables	–	–	9,443	29,122	20,138	–	58,703
– Trading securities	498,424	–	604,887	–	–	–	1,103,311
– Available-for-sale securities	15,046,694	–	–	–	67,213	–	15,113,907
– Financial assets designated at fair value through profit or loss	14,807,724	–	–	737,250	1,661,345	–	17,206,319
– Cash and cash equivalents	–	3,201,857	2,757,677	–	–	–	5,959,534
	30,390,195	3,396,329	3,434,061	1,647,001	2,320,826	–	41,188,412
Liabilities							
– Bank loans	–	–	(1,075,772)	(3,071,660)	(6,387,706)	–	(10,535,138)
– Other financial liabilities	–	(1,891,976)	–	(325,143)	(230,422)	(1,213,471)	(3,661,012)
– Trading securities	(80,774)	–	(71,052)	–	–	–	(151,826)
– Bond payable	–	–	–	–	(4,499,200)	(4,499,200)	(8,998,400)
– Notes payable	–	(27,000)	–	–	(30,000)	–	(57,000)
	(80,774)	(1,918,976)	(1,146,824)	(3,396,803)	(11,147,328)	(5,712,671)	(23,403,376)

19. SEGMENT INFORMATION

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

Fund Management Business

Fund management business refers that the Group raises funds from external investors and deploys the Group's seed capital into specific clients, applies its professional knowledge and experience to make investment decisions on the capital 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, Fund of Funds ("FoF") and Wealth Management.

- 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;

- 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), manufacturing, technology, media and telecom ("TMT") as well as merger and acquisition opportunities;

- 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; and

- Overseas investment funds – The Group's overseas investment funds leverage on the Group's business resources and networks, and expect to provide value-added support for investee companies outside China. In particular, the overseas investment funds plan to introduce its portfolio companies' products and technologies to the enormous Chinese market so as to create and enhance the value of the portfolio companies, and ultimately create investment returns to investors.

• 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.

• Fund of Funds investment or "FoF" – FoF invested in both funds initiated and managed by the Group as well as external funds with proven track records of performance and governance. FoF can provide one-stop financial services solution that offers both liquidity and potential returns for mega-size institutions.

• Wealth Management – Everbright Prestige has become an important carrier and business platform for the Group's asset management business in mainland China. It 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 ("QFII"), onshore insurance companies and other institutions which are set up and operate according to the law. Everbright Prestige demonstrate its value in four areas including assets under management 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 four goals: (1) invest in medium to long term business and industries with strategic value (2) nurture investment teams and developing high quality financial products to promote and support fund management business; (3) invest in the Group's or external projects, funds or products to maximise returns within controlled risk levels and contribute to steady long-term revenue, (4) improve cash flow by treasury management. In addition, it also covers business to be reportable (including but not limited to the Group's investment in properties and other corporate activities).

Strategic Investment

This represents strategic investment in Everbright Securities and Everbright Bank.

(a) Business segments

For the year ended 31 December 2017:

	Continuing operations							Discontinued operations		
	Fund Management Business									
	Primary Market HK$'000	Secondary Market HK$'000	Fund of Funds HK$'000	Wealth Management HK$'000	Principal Investment HK$'000	Strategic Investment HK$'000	Reportable segments total HK$'000	Fund Management Business HK$'000	Principal Investment HK$'000	Total HK$'000
INCOME										
Operating income from external customers	711,121	563,417	12,337	–	305,083	174,997	1,766,955	–	–	1,766,955
Other net income from external customers	1,526,138	20,181	–	–	1,921,888	293,503	3,761,710	–	–	3,761,710
Total operating income and other net income	2,237,259	583,598	12,337	–	2,226,971	468,500	5,528,665	–	–	5,528,665
RESULTS AND RECONCILIATION OF SEGMENT RESULTS										
Segment results before non-controlling interests	1,864,696	509,498	7,519	–	1,936,696	396,880	4,715,289	204,956	2,648	4,922,893
Unallocated head office and corporate expenses										(1,149,808)
Share of profits less losses of associates	87,538	–	–	7,541	370,086	835,291	1,300,456	–	–	1,300,456
Share of profits less losses of joint ventures	706	–	–	71,312	–	–	72,018	–	–	72,018
Profit before taxation										5,145,559
Less: non-controlling interests	(150,766)	(9,843)	–	–	16,889	–	(143,720)	–	–	
Segment results	1,802,174	499,655	7,519	78,853	2,323,671	1,232,171	5,944,043	204,956	2,648	
Interest income	139,555	26,304	–	–	232,375	–	398,234	–	–	398,234
Finance costs	–	5,453	–	–	743,858	–	749,311	–	–	749,311
Depreciation and amortisation expenses	1,278	1,230	12	–	28,440	–	30,960	–	–	30,960
Impairment loss on available-for-sale securities	80,500	7,299	–	–	115,448	–	203,247	–	–	203,247

For the year ended 31 December 2016 (Restated):

	Continuing operations							Discontinued operations	
	Fund Management Business								
	Primary Market HK$'000	Secondary Market HK$'000	Fund of Funds HK$'000	Wealth Management HK$'000	Principal Investment HK$'000	Strategic Investment HK$'000	Reportable segments total HK$'000	Principal Investment HK$'000	Total HK$'000
INCOME									
Operating income from external customers	985,435	341,775	5,482	–	487,833	349,290	2,169,815	–	2,169,815
Other net income from external customers	4,494,990	20,271	56,098	–	300,724	343,032	5,215,115	–	5,215,115
Total operating income and other net income	5,480,425	362,046	61,580	–	788,557	692,322	7,384,930	–	7,384,930
RESULTS AND RECONCILIATION OF SEGMENT RESULTS									
Segment results before non-controlling interests	4,994,970	279,990	61,580	–	178,966	691,790	6,207,296	78,747	6,286,043
Unallocated head office and corporate expenses									(766,882)
Share of profits less losses of associates	33,025	–	–	32,582	265,876	896,012	1,227,495	–	1,227,495
Share of profits less losses of joint ventures	73,828	–	–	–	–	–	73,828	–	73,828
Net gain on deemed disposal of interest in associates	–	–	–	–	40,474	120,157	160,631	–	160,631
Profit before taxation									6,981,115
Less: non-controlling interests	(1,573,967)	4,927	–	–	(12,860)	–	(1,581,900)	(16,714)	
Segment results	3,527,856	284,917	61,580	32,582	472,456	1,707,959	6,087,350	62,033	
Interest income	65,459	23,280	–	–	147,388	–	236,127	–	236,127
Finance costs	1,303	8,244	–	–	562,635	–	572,182	–	572,182
Depreciation and amortisation expenses	1,730	1,502	–	–	20,571	–	23,803	–	23,803
Impairment loss on available-for-sale securities	209,708	–	–	–	339,071	–	548,779	–	548,779

Other Information

As at 31 December 2017

	Continuing operations							Discontinued operations	
	Fund Management Business								
	Primary Market HK$'000	Secondary Market HK$'000	Fund of Funds HK$'000	Wealth Management HK$'000	Principal Management HK$'000	Strategic Investment HK$'000	Reportable segments total HK$'000	Fund Management Business HK$'000	Total HK$'000
Segment assets	20,016,634	4,151,247	670,232	–	18,263,195	7,512,478	50,613,786	908,948	51,522,734
Investments in associates	3,786,466	–	–	–	1,423,899	13,542,889	18,753,254	–	18,753,254
Investments in joint ventures	325,551	–	–	590,657	–	–	916,208	–	916,208
Amounts due from investee companies	155,044	–	–	–	32,232	–	187,276	–	187,276
Amount due from an associate	–	–	–	–	1,000,000	–	1,000,000	–	1,000,000
Finance lease receivables	–	–	–	–	21,374	–	21,374	–	21,374
Unallocated head office and corporate assets									517,425
Total assets									72,918,271
Segment liabilities	2,295,114	538,808	–	–	621,423	–	3,455,345	426,502	3,881,847
Unallocated head office and corporate liabilities									24,871,064
Provision for taxation									667,116
Deferred tax liabilities									1,153,249
Total liabilities									30,573,276

As at 31 December 2016 (Restated)

	Continuing operations							Discontinued operations	
	Fund Management Business								
	Primary Market HK$'000	Secondary Market HK$'000	Fund of Funds HK$'000	Wealth Management HK$'000	Principal Investment HK$'000	Straegic Investment HK$'000	Reportable segments total HK$'000	Principal Investment HK$'000	Total HK$'000
Segment assets	17,326,498	2,308,516	618,507	–	17,448,046	6,899,152	44,600,719	3,057,129	47,657,848
Investments in associates	1,929,975	–	–	115,945	1,002,669	13,038,663	16,087,252	–	16,087,252
Investments in joint ventures	351,445	–	–	–	–	–	351,445	–	351,445
Amounts due from investee companies	186,040	–	–	–	90,658	–	276,698	–	276,698
Amounts due from associates	1,648,988	–	–	–	1,000,000	–	2,648,988	–	2,648,988
Finance lease receivables	–	–	–	–	58,703	–	58,703	–	58,703
Unallocated head office and corporate assets									414,402
Total assets									67,495,336
Segment liabilities	2,398,175	178,254	–	–	2,858,166	–	5,434,595	955,708	6,390,303
Amount due to an associate	–	–	–	44,896	–	–	44,896	–	44,896
Amounts due to investee companies	–	–	–	–	211,632	–	211,632	–	211,632
Unallocated head office and corporate liabilities									19,195,706
Provision for taxation									1,046,821
Deferred tax liabilities									1,119,583
Total liabilities									28,008,941

(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 and investment properties, 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 locations of the asset. For interests in associates and joint ventures, the geographical location is based on the locations of operations.

	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Hong Kong HK$'000	**Mainland China HK$'000**	**Total HK$'000**	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Segment revenue						
Operating income	**893,096**	**873,859**	**1,766,955**	632,107	1,537,708	2,169,815
Other net income	**660,997**	**3,100,713**	**3,761,710**	729,746	4,485,369	5,215,115
	1,554,093	**3,974,572**	**5,528,665**	1,361,853	6,023,077	7,384,930

	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Hong Kong HK$'000	**Mainland China HK$'000**	**Total HK$'000**	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Specified non-current assets	**1,729,486**	**18,450,955**	**20,180,441**	1,365,573	15,627,200	16,992,773

20. CONTINGENT LIABILITIES

Corporate guarantee

	Note	**2017 HK$'000**	2016 HK$'000
Guarantee given by the Company to financial institutions in respect of banking facilities granted to subsidiaries	*i*	**8,996,448**	4,490,425

Note:

i. The Group's subsidiaries have utilised these banking facilities of HK$8,186,260,000 as at 31 December 2017 (2016: HK$4,103,530,000).

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW AND ANALYSIS

Macro-economic review

The global economy continued to rebound in 2017, with unemployment rate in the US and Europe, and other major economies, falling to among the lowest levels since the Global Financial Crisis. At the same time, the US set its rate hike cycle in motion, with the Fed gradually shrinking its balance sheet, substantially affecting global capital flows, and creating uncertainties for economic growth. In China, Renminbi appreciated steadily against the U.S. dollar to reach the level of 6.50 to the dollar. The A-share market was generally stable, with the Shanghai Composite Index rising 6.6% to 3,307 points in 2017.

Under the stable macroeconomic conditions, new trends emerged in the private equity investment segment. According to a report by Preqin, global private equity investment market encountered problems of liquidity glut and high valuation of assets. The pressure for funds to exit has become the biggest challenges of recent years. The valuation on exits was on a downward trend, with disposal to third parties becoming the dominant means of exiting investments. In the Asian markets, M&A investment funds continued to grow, accounting for 67% of total fund raised, which was the highest in three years. In China, private equity firms also underwent exit pressures, with disposal restriction regulations in 2017 resulting in lengthier process for exits. Returns on investments through IPOs as a means of disposal was on a downward trend.

As a cross-border asset management company, CEL faces a complex international landscape and ever-changing market conditions in China. While maintaining a long-term focus on the cross-border investment opportunities arising from the growth in the China market, CEL also needs to adapt to changes in economic development with a forward-looking perspective and has to plan ahead for future investment and industry allocation. In light of the continuous solid growth, rapid wealth expansion and robust consumption upgrade in China, CEL steadily increased its investments in sectors with strong exposure to demand from China, such as overseas infrastructures and high precision machinery manufacturing in 2017. At the same time, CEL accelerated its investments in emerging industries including culture, entertainment, artificial intelligence and semiconductors, as well as built up its strength to support integration between upstream and downstream investments in certain sectors.

Milestones in 2017

In 2017, CEL achieved substantial progress in its businesses, with major milestones as follows:

1. Fund assets reached record high and continued to increase rapidly: During the year, by undertaking further capital raising into existing products and newly established ones, CEL's total fundraising topped the HK$100 billion mark, increasing 48% from 2016 to HK$129.1 billion. This continued to cement CEL's leading position in the private equity industry in China. During this period, CEL successfully secured capital from China Life, China Post Insurance, ABC Life Insurance, China Re Asset Management as well as other major institutional investors. CEL significantly increased its volume of funds raised, strengthening awareness of its platform and market recognition.

2. Increased investment in TMT and other New Economy sectors: In 2017, Everbright-IDG Industrial Fund, which was formed by China Everbright and IDG Capital Partners, stepped up the pace of acquisitions and invested in NIO, SenseTime, i.am+ and other leading TMT companies.

3. Cooperated with fund managers with successful track record to establish win-win partnerships and make forays into industries with huge room for growth: CEL and Walden International Group, a globally renowned investment firm with 30 years of history, launched Walden CEL Global Fund I, L.P.. With a target size of USD500 million, it is a specially designed fund that invests in companies in the semiconductor sector and electronic technology supply chain, with a focus on microchips, artificial intelligence, as well as hardware and software integration.

4. Continued to expand its Fund of Funds ("FoF") platform: In 2017, CEL, in partnership with China Merchants Bank, a leading joint-equity commercial bank in China, set up the RMB5 billion Everbright-CMB Multi-strategy Equity Investment FoF. FoF managed by the Group has reached RMB10 billion.

5. Strengthened its capabilities in industry-finance integration: ARI, a member company of CALC, fully acquired Universal Asset Management, a company engaged in commercial aviation asset management, aircraft disassembly and component sales in 2017. The acquisition enabled it to push forward its goal to be a full aircraft value-chain solutions provider, enhancing the integration of industry and finance.

6. In 2017, CEL celebrated its 20th anniversary by hosting an Anniversary Gala Cocktail Reception and the sixth annual Investment Conference, which were attended by former and current Chief Executives of Hong Kong Special Administrative Region and 600 guests. CEL also organised the 13th China M&A Annual Conference in Hong Kong and participated in charity events and corporate sponsorships. Alongside these events, CEL launched a new corporate website and branding concept as well as new products to reaffirm its influence in the field of cross-border investment and asset management.

CEL has strengthened its market position with the development of its businesses. Major honors that CEL received in 2017 are as follows:

1. CEL was named "Best PE Firm in China 2017" by Forbes China.

2. CEL ranked 14th among the Top 100 PE Firms of the year in Zero2IPO Group's "China Venture Capital & Private Equity Annual Rankings 2017", which is the most influential ranking of its kind in China.

3. CEL was ranked in the "Top 20 Private Equity Investment Institutions in China" and "Top 10 M&A Funds in China" by the China Association of Private Equity in its Industry recognition of PE/VC in China 2017.

4. CEL was given the "Outstanding Investment & Asset Management Group in China" award at "The 12th CAPITAL Outstanding Chinese Enterprise Awards" by Capital Magazine, a renowned investment and financial magazine.

5. CEL was named "The Most Competitive VC Firm" at China Venture Capital Golden Eagle Awards organised by Securities Times.

6. CEL won the Excellence in "M&A Management Award" for its acquisition of Tirana International Airport at the China Mergers & Acquisitions Association's China M&A Awards 2017.

CEL has become a leading cross-border investment and asset management company in China with two decades of development.

Operating Results

CEL posted profit attributable to shareholders of HK$4,148 million in 2017, up 2% year-on-year, of which profit attributable to shareholders from fund management business and principal investment business in 2017 was HK$2,862 million, up 4% over the previous year. In terms of strategic investment, our share of profit from Everbright Securities was HK$835 million, down by 7%; dividend income after tax from China Everbright Bank was HK$157 million, a decrease of 50%.

Profit from major business segments

(in HK$ million)	**2017**	2016	**Change**
CEL's direct operating businesses	**2,862**	2,743	4%
Share of profit from Everbright Securities	**835**	894	-7%
Dividend income contributed by China Everbright Bank (after tax)	**157**	317	-50%
Profit from disposal of Everbright Securities	**294**	–	N/A
Gain on deemed disposal of Everbright Securities	**–**	120	N/A
Total	**4,148**	4,074	

In 2017, CEL's direct operating businesses remained stable. The fund management business reported that pre-tax profit decreased by 50% to HK$2,754 million, as a result of a decline in revenue from divestment of projects. In terms of principal investments, CEL achieved a pre-tax profit of HK$2,309 million, representing an increase of 309%. Following many years of development, CEL's fund management and principal investment businesses have generated a strong synergy, optimally balancing the company's profitability as a whole, and maximising value for shareholders.

Pre-tax profit from fund management and principal investment businesses *(in HK$ million)*	**2017**	2016 (Restated)	**Change**
Fund Management	**2,754**	5,476	-50%
Principal Investment	**2,309**	564	309%

In 2017, the Group's total expenditure was HK$1,685 million, up 27% year-on-year. The total cost-to-income ratio was 30.5%, up 12.5 percentage points. In addition, during the year, the Group also completed its third issuance of RMB 2.5 billion worth of panda bonds onshore, and maintained a healthy gearing ratio of 57.8% (as of 31 December 2016: 49.6%). Looking ahead, through further optimisation of its onshore and offshore debt structure, the Group will be able to maintain a steady level of liquidity.

Key financial data

(in HK$ million)	**2017**	2016	**Change**
Operating expenses	**1,685**	1,330	27%
Total cost-to-income ratio *(Note)*	**30.5%**	18.0%	12.5 ppt
Gearing ratio	**57.8%**	49.6%	8.2 ppt

Note: Total cost-to-income ratio is calculated as (staff costs + depreciation and amortisation expenses + operating expenses + finance costs)/(operating income + other net income).

FUND MANAGEMENT BUSINESS

In 2017, the Group's fund management business achieved significant progress. The composition of investors was further optimised, with the total fundraising amount surpassing the HK$100 billion milestone for the first time. Following years of development, the primary market fund management segment has established a solid client network, a sound market reputation and dynamic fund product lines. The secondary market fund management segment has gradually matured by developing a series of outstanding listed equities and fixed income funds products, which have received various market recognitions and prestigious awards. The FoFs and wealth management segment (Everbright Prestige Capital) provided a greater selection of products for different types of investors with different appetites.

As at the end of 2017, the Group managed a total of 48 funds and held 116 primary market post-investment management projects and 23 secondary market portfolios. Of which, 14 primary market projects have been listed on various stock markets around the world. For the fund management business, total fundraising amount increased to HK$129.1 billion, up 48% compared with the end of 2016, with external funds accounting for 80%. The fair value of the invested projects and investment portfolios held amounted to HK$103.8 billion, up 65% compared with the end of 2016.

Below are the funds under the Group and its affiliates' fund management business (as at 31 December 2017):

Fund business	Fund Type	Fund Name	Year of Launch	Investment Focus	Fundraising Scale
Primary Market Funds	Private equity funds	China Special Opportunities Fund II (CSOF II)	2007	Telecom, media, high-tech & consumer	USD100 M
		China Special Opportunities Fund III (CSOF III)	2010	Agriculture, consumer goods, servicing & financial auxiliary	USD399 M
	Venture capital funds	Beijing Zhongguancun Industry Investment Fund	2007	High-growth manufacturing, hi-tech & servicing	RMB160 M
		Everbright Jiangyin Asset Investment Fund	2009	High-growth industries	RMB260 M
		Everbright Guolian Fund	2009	High-growth industries	RMB220 M
	Sector focus funds	Everbright Ashmore China Real Estate Fund (USD)	2009	China real estate	USD140 M
		EBA Real Estate	2009	China real estate	RMB47.1 B
		Everbright Medical and Healthcare Fund I	2012	Healthcare industry	RMB600 M
		Everbright Medical and Healthcare Fund II	2015	Healthcare industry	RMB1.2 B
		Everbright Jiangsu New Energy (Low Carbon) Fund	2010	New materials, environmental protection & energy saving	RMB100 M
		Everbright Qingdao New Energy (Low Carbon) Fund	2013	New materials, environmental protection & energy saving	RMB650 M
		Everbright Zhengzhou Fund	2016	High-growth industries	RMB2 B
		Shandong Hi-Speed Everbright Industrial Fund	2014	Municipal services, environmental protection, clean energy	RMB1.8 B
		Everbright-IDG Industrial Fund (IDG-Everbright M&A Investment Fund)	2016	Investment opportunities in sub-sector leaders	RMB10 B

Fund business	Fund Type	Fund Name	Year of Launch	Investment Focus	Fundraising Scale
		Harmonious Core Fund	2016	Investment opportunities in sub-sector leaders	RMB4 B
		Harmonious Bright Core Fund	2016	Investment opportunities in sub-sector leaders	RMB1.43 B
		Everbright Zhongying Capital	2016	Pan-entertainment	RMB1.2 B
		CEL Haimen Health and Pension Industry Investment Fund	2017	Pension Industry	RMB500 M
		CEL Intelligent Manufacturing Equity Investment Fund	2017	Intelligent Manufacturing Industry	RMB520 M
	Overseas funds	CEL Catalyst China Israel Fund	2014	Innovative Israel enterprises	USD160 M
		CEL Global Investment Fund	2016	Global Opportunities	USD520 M
		Everbright Overseas Infrastructure Fund	2017	Global Infrastructure	USD400 M
	Mezzanine funds	Domestic Mezzanine Fund	2012	Domestic Mezzanine Financing	RMB800 M
		Domestic Mezzanine Fund II	2016	Domestic Mezzanine Financing	RMB820 M
Secondary market funds	Equity funds		2012	Equity product investment	HK$5.2 B Equivalent
	Fixed-income funds		2012	Fixed income product investment	HK$11.6 B Equivalent
	PIPE Investment Portfolio		2015	New Third Board Market	HK$250 M Equivalent
Fund of Funds (FoF)	Parent funds	Multi-strategy alternative investment Fund	2015	Market-leading private equity fund	RMB5 B
		Zhuhai Hengqin Everbright CMB Investment Center (CMB Parent fund)	2017	Market-leading private equity fund	RMB5 B
Total					**HK$129.1 B Equivalent**
Everbright Prestige Capital		Everbright Prestige Capital	2014	Domestic specific client's asset management	RMB92.8 B

During the year under review, income from the Group's fund management business was HK$3,205 million, representing a decrease of 47%. Management and consultancy fees dropped by 38% to HK$504 million. The main reason for this decrease is that the Group has injected the 51% of shares in EBA Investments, the Group's real estate fund management platform, into Everbright Jia Bao, a listed company in Shanghai A-share market. Therefore, the management fee income will no longer be consolidated into the Group's financial statement. If taking into consideration EBA Investments' management fee income of HK$590 million, the Group's management fee income would have increased 35% year-on-year to HK$1.10 billion. In addition, interest income derived from the provision of structured financing products for clients increased by 87% to HK$166 million. Dividends contributed by investee companies decreased by 6% to HK$351 million. The Group recorded a realised gain of HK$737 million, down 78% compared with the previous year, and an unrealised gain of HK$1.00 billion. In 2016, the unrealised loss was HK$991 million.

Major income from fund management business

(Classified by nature of income) (in HK$ million)	**2017**	2016 (Restated)	**Change**
Management and consultancy fees*	**504**	810	-38%
Interest income	**166**	89	87%
Dividend income	**351**	375	-6%
Realised gain	**737**	3,318	-78%
Unrealised gain/(loss)	**1,000**	-991	N/A

* If taking into consideration EBA Investments' management fee income of HK$590 million, the Group's management fee income would have increased 35% year-on-year to HK$1.10 billion.

Primary market funds

As at 31 December 2017, CEL's primary market funds raised HK$100.3 billion in aggregate, representing an increase of 55% year-on-year. Currently, this segment has 116 post-investment management projects with a total fair value of HK$80.8 billion, an increase of 62% compared with the end of 2016. CEL's primary market funds are uniquely positioned with cross-border investment capability, diversification across different industries and flexible structures. The funds have also been sharpening their ability to drive the integration of upstream and downstream in some industries. These have helped CEL to gain widespread recognition among institutional investors, fueling rapid growth in its fundraising size in recent years.

As at the end of 2017, we held a 29.17% stake in A-share market listed company, Everbright Jia Bao Co., Ltd. With this as the first listing of an A-share real estate fund management platform, our real estate team will be able to better leverage the listed platform to draw in more AUM as well as diversify its real estate fund investment, real estate project management and operation businesses into a wider range of sub-sectors.

In terms of fundraising, CEL successfully brought in a number of major institutions as investors during the year. This has, not only boosted the amount raised, but is also of strategic significance for CEL's development:

1. Overseas Infrastructure Fund successfully introduced insurance funds from China Life (Overseas) and completed its second closing.

2. RMB Mezzanine Fund has been gearing up for the second closing of RMB Fund II, and has already secured investments from Citic-Prudential Life, China Re Asset Management and ABC Life Insurance.

In terms of investment, armed with a great vision and foresight, CEL further consolidated the capability of its traditional industry funds while accelerating its investments into new economy sectors. Key investments in 2017 are listed below:

Consolidating the capabilities of traditional industry funds while continuing to drive diversification

1. In 2017, CEL's RMB-denominated real estate funds invested in a series of projects across various sectors. In first-tier cities, the funds acquired a total of 4 office properties and office-commercial complexes, both in operation and under development

or reconstruction. The funds also acquired 3 shopping malls in 2017, and broadened the layout of the IMIX Park. Meanwhile, the funds completed investments in various industrial logistics parks located in China's key logistics hubs. By the end of 2017, EBA Investments had 40 projects under management with an aggregate area of over 3.21 million square meters. Furthermore, EBA Investments established EBA-US in 2018 by acquiring well-regarded American asset management platform, Arrow RE Holdings, through its funds. The platform was renamed "Everbright Arrow". The move has helped EBA Investments realise its vision of becoming a global cross-border real estate asset management firm.

2. RMB Mezzanine Fund II partnered with a renowned insurance company to inject an additional RMB 600 million into Sichuan Hope Education Group, a leading private higher education group in China.

3. Burke Porter Group ("BPG"), a portfolio company of Global Investment Fund, completed the acquisition of inspection system supplier, Lismar, generating synergy across the board with other subsidiaries of BPG. The acquisition has also established CEL's role as a driving force behind the consolidation of the precision equipment industry.

4. Everbright-IDG Industrial Fund made an investment in Ledvance, a lighting company owned by the world's second-largest lighting business, Osram. With Osram as a global leader in lighting products and technology, this deal represents a model case of the in-depth consolidation of industry bellwethers through listed platform. It is also an important driver of the upgrade in China's lighting industry.

Accelerating investments in new economy sectors

CEL accelerated investments into new economy sectors through vehicles such as Everbright-IDG Industrial Fund and CEL Catalyst China Israel Fund:

1. Consolidated its leading position in the internet and pan-entertainment industries through an investment in iQiyi, China's leading online video and entertainment platform, to tap the rapid growth of the country's booming video entertainment industry.

2. Formed a consortium with China Oceanwide, Bank of China Group Investment Limited and IDG Capital to acquire IDG Ventures, global investment arm of IDG. The support from IDG Capital has allowed CEL to further expand its exposure across the globe and its cross-border asset integration capability.

3. As the only leading Chinese investor, CEL participated in the investment in Wish, a Silicon Valley unicorn and a global leader in cross-border e-commerce, as it looks to develop together with companies that have an in-depth understanding of how to transform traditional consumer industries through the internet and have the necessary operational capabilities.

4. Invested in Israeli biopharmaceutical company Eloxx Pharmaceuticals Limited, which is on track to become the innovative leader in the development of drugs for rare genetic diseases, based on its unique expertise in restoring full-length functional proteins in genetic illnesses.

In terms of exit strategies, CEL completed a number of IPO projects in 2017, preparing for exit from the investments in the future:

1. Jiangsu Yida Chemical, a portfolio company of the Venture Capital Funds, was listed on the Shenzhen Stock Exchange's ChiNext in November 2017.

2. Hengrun Heavy Industries, a portfolio company of the New Energy Funds, was listed on the Shanghai Stock Exchange in May 2017.

Although the "Certain Provisions on Reduction of Shareholdings by Shareholders, Directors, Supervisors and Senior Management of Listed Companies" issued by the CSRC in May 2017 increased the difficulty of project exit through IPO, CEL managed to access diversified exit channels in 2017, successfully exiting investments through various ways such as reducing stakes through the market or mergers and acquisitions:

1. Venture Capital Funds completed the disposal of the entire stake in CECEP Wind-power Corporation and Ningxia Tairui Pharmaceutical.

2. Everbright Medical & Healthcare Fund exited from part of its investment in Betta Pharmaceuticals.

Secondary Market

As of 31 December 2017, CEL's secondary market platform managed 23 funds and accounts with total assets under management of HK$19.3 billion, 79% more than the same period last year.

During the reporting period, CEL's secondary market team made remarkable achievements, with accelerated growth in assets under management, and received various awards and nominations. As of 31 December 2017, the fixed income team's Everbright Dynamic Bond Fund, which invests in a portfolio of Asian USD-denominated bonds, delivered solid returns. During the reporting period, the net of fee return for USD- and RMB-denominated regular share classes were 12.35% and 16.01% respectively, while the net return for USD-denominated preferred share classes and subordinated share classes were 10.15% and 18.98% respectively. CEL's sales and investment teams continued to raise funds for Everbright Dynamic Bond Fund and its associated funds. As of 31 December 2017, the total size of the fund reached US$406 million, an increase of 87.48% over the same period last year. Given the fund's outstanding results, CEL successfully sought to bring in more large-scale institutional clients, such as banks, insurers, brokerages, asset managers and corporate customers. Additionally, CEL received numerous honors for the fund during the reporting period, including the "Three-Year Overseas Golden Bull Private Fund Company (Fixed Income)" Award and the "One-Year Overseas Golden Bull Private Fund Investment Managers (Fixed Income)" Award by China Securities Journal. The fund itself was nominated for "Best Emerging Market Credit Fund" at the Investor Choice Awards abroad.

Meanwhile, Everbright China Focus Fund, a Greater China long-only absolute return fund managed by the secondary market equity team, generated a return of 20.75%, net of fees during the period under review. Since its establishment in January 2014, the fund has registered a total return of 106.51%, net of fees, with an annualised return of 19.88%. During the reporting period, the fund's assets under management increased by 45.31% to US$76.97 million. Due to its stable and outstanding results, Everbright China Focus Fund received a series of awards during the reporting period, including the "One-Year Overseas Golden Bull Private Fund Investment Manager (Equity Long-only)" Award by China Securities Journal, and was ranked No. 4 by the international hedge fund rating firm BarclayHedge in its "2018 Top 10 Hedge Funds" under the category of "Emerging Markets – Asia – Past Three Years". Moreover, during the reporting period, the equity investment team and the sales team capitalised on the opportunities arising from the increased interest from domestic institutional customers and high net worth individuals in Hong Kong stock investments following the launch of northbound trading as part of the Stock Connect program. The teams increased focus on R&D and fundraising of domestic products that invest in eligible stocks for trading under the Shanghai-Hong Kong Stock Connect. During the same period, the teams also worked with China Everbright Bank and Everbright Securities, both subsidiaries of China Everbright Group, to successfully launch the first domestic Sunshine Private Equity Fund product, Everbright Futures – CEL Shanghai-Hong Kong-Shenzhen Asset Management Plan, and rolled out the first domestic equity-oriented insurance asset management product and equity-oriented banking asset management product, for which CEL provided investment advisory services. The three products raised RMB390 million in total. Specifically, the insurance asset management product, established on 13 June 2017, recorded a portfolio floating profit of 15.2% as of the end of 2017. With the CSI 300 Index and the HS China Enterprises Index climbing 12.52% and 11.24% respectively during the same period, the portfolio, which registered a maximum drawdown of -0.92% per month, outperformed other public and private equity funds launched during the same period.

Wealth Management

CEL develops its wealth management business in mainland China through Everbright Prestige, a company jointly owned by China Post Fund and CEL. In 2017, Everbright Prestige implemented the net capital management measures imposed by the China Securities Regulatory Commission on asset management companies which have somewhat affected Everbright Prestige's channel business with financial institutions. For this reason, it decided to optimise its business structure, downsize part of its channel business and raise the collection standard of its business management fees. As Everbright Prestige undertook this business transformation in a timely manner, despite a decrease in business, the overall Return on Equity further improved with the proportion of active management business scaling up.

During the reporting period, the scale of Everbright Prestige's personal wealth management business was RMB92.8 billion, representing a 21% decrease year-on-year. It posted operating income of RMB287 million and profit before tax of RMB189 million. Its after-tax profit increased 51% year-on-year to RMB142 million. Subsequent to the implementation of net capital management measures, regulations on risk management and supervision will be continued to launch in 2018. Everbright Prestige has to strengthen its management capability and streamline the business structure.

Fund of Funds ("FoF")

CEL's Multi-strategy Alternative Investment Fund (a Fund of Funds) is a substantial part of CEL's fund management platform. The FoF provides a one-stop financial services solutions by bringing liquidity and offering potential return to mega-sized institutions in China. It diversifies institutional investors' portfolios and lowers correlation risk.

The FoF invests not only in funds initiated and managed by CEL but also external funds with a proven track record of performance and good governance. This allows CEL to further develop and improve the Group's product lines by adjusting and optimising allocation of seed capital in various funds, as well as to participate in the operation of external funds with a successful track record.

In order to increase the size of the FoF business, CEL and China Merchants Bank jointly established a Multi-strategy Equity Investment Fund of Funds ("China Merchants Bank FoF") with a total size of RMB5 billion in 2017. China Merchants Bank and CEL committed RMB4 billion and RMB1 billion to it respectively. This FoF is operated and managed by a team of experienced professionals from CEL and Everbright Prestige. It focuses on equity investment in primary markets and the "in-between market", a market between the primary and secondary markets, targeting venture capital (VC), private equity (PE), Pre-IPO, merger and acquisition (M&A) and certain types of private placement.

As at the end of 2017, the Investment Committee of the FoF has reviewed, approved and completed investments in 5 sub-funds with total capital commitments of RMB2.66 billion.

Principal Investment Business

As part of its commitment to the development of its asset management business, CEL has utilised its proprietary capital to support and facilitate the overall growth of its macro asset management service. As of 31 December 2017, the total scale of our principal investment amounted to HK$18.3 billion, up 50% year-on-year, while its income amounted to HK$2,600 million, an increase of 121% year-on-year. Interest income rose 58% year-on-year to HK$232 million, while dividend income decreased 86% compared with the previous year to HK$50 million. As a result of more project exits during the year under review, the segment yielded a realised gain of HK$1,614 million, a significant increase of 300% year-on-year.

Income of Principal Investment

(Classified by nature of income) (in HK$ million)	**2017**	2016	**Change**
Interest income	**232**	147	58%
Dividend income	**50**	347	-86%
Realised gain	**1,614**	404	300%
Unrealised gain/(loss)	**266**	-328	N/A
Share of CALC's results as an associate	**241**	212	14%

We have gained a competitive advantage as a result of our principal investments business, which differentiates our asset management services from those of our competitors. This business segment has the following four functions:

1. Strategic industry investments: to invest in sectors that have the potential to grow in the medium to long term, or those that support our long-term strategies and expand our services.

   China Aircraft Leasing Group Holdings Limited ("CALC"), in which the Group holds a 33.56% equity interest, is one of our strategic industry investment projects that have developed over many years. In 2017, CEL's profit contribution from CALC amounted to HK$241 million. CALC had delivered 107 aircrafts. In addition to the leasing income received from the increased number of aircrafts delivered, the securitisation of aircraft lease receivables also became an important growth area, further expanding CALC's financing sources for development. Additionally, CEL's secondary market business segment continued to play a role in CALC's asset securitisation during 2017. With established investment fund in China, the secondary market platform enabled domestic investors to access long-term stable USD-denominated returns without investing overseas, which created a positive synergy between the diverse range of services provided by our teams.

   Moreover, CEL has played an active role in pushing forward the development of elderly care in China. Through our major development platform Huichen Elderly Care, in which the Group holds a 67.27% stake, CEL has launched a chain of elderly care facilities across China at a rapid pace, and has improved Huichen's senior care service model by leveraging the Group's solid financial standing, the integration resources of Everbright's different business segments, such as real estate and insurance, and Huichen's professional operations and management. This has given more elderly people access to professional senior care services. During 2017, as a result of the rapid expansion of Huichen Elderly Care's business and its acquisition of the senior care institution Enjoy Twilight Years in Jiangsu Province, the Company became a leading player in the domestic senior care industry, both in terms of revenue and the number of beds under management.

2. Fund incubator: to utilise our proprietary capital to provide our investment teams with seed capital to incubate high-quality products, which in turn facilitates the development of our fund management business.

   CEL has strategically seeded funds at both the launch and growth stages and has grown with them by fully leveraging the advantages of its platform, its status and influence in the local market and relevant sectors, as well as its forward-thinking strategic investment rationale. During 2017, CEL injected its equity interest in the Tirana International Airport project into the Everbright Overseas Infrastructure Fund, which laid a solid foundation for the fund to attract investment from investors, including large-scale insurers.

3. Proprietary investment: to invest in projects that are not related to fund incubation to meet CEL's targets for overall returns from its principal investments.

   During the period under review, we made strong gains by exiting proprietary investment projects such as Focus Media and Aerospace Capital.

4. Treasury management: CEL's principal investment has also helped to provide liquidity for the Group and to balance its overall income. Supported by rigorous risk controls, CEL engages in mid- and short-term structured investment and financing projects, using its own capital by acting as a treasury and wealth manager. In addition, by leveraging its proprietary capital, the Group has successfully managed risks relating to interest rates, liquidity and exchange rates, and improved its cash flows. As a result, CEL has managed to achieve a reasonable balance between returns and liquidity.

   As of 31 December 2017, the fair values of equity interest and cash and cash equivalents held by CEL in principal investment business segment were as follows:

Principal investment category *(in HK$ billion)*	**2017**
Proprietary investment	14.7
Strategic industry investment	2.5
Fund incubator	1.1
Treasury management	3.2

STRATEGIC INVESTMENT

Everbright Securities

As at 31 December 2017, the Group held 1.07 billion shares in Everbright Securities Company Limited ("Everbright Securities"), accounting for approximately 23.30% of the total capital of Everbright Securities at a fair value of HK$17.0 billion.

During 2017, the A-share market performance was stable, with the SSE Composite Index rising slightly by 6.6%. With the tightening of financial regulations, trading sentiments in mainland China's securities market was relatively calm and investor activity was relatively low, which resulted in slower growth in terms of operational income like commission income and net income. CEL's share of profits from Everbright Securities was slightly down by 7% year-on-year to HK$835 million.

In September 2017, the Group sold 1.41% of its stakes in Everbright Securities, gaining HK$294 million of profit after tax. Reducing holding stakes helps the Group to realise it's accumulated gain from Everbright Securities, a reflection of the Group's focus and determination to develop its asset management and investment business.

China Everbright Bank

As at 31 December 2017, the Group held 1.57 billion shares in China Everbright Bank Company Limited ("Everbright Bank"), measured at a fair value of HK$7,512 million and accounting for approximately 3.00% of Everbright Bank's total capital.

Due to the drop in Everbright Bank's Core Tier 1 Capital Adequacy Ratio, the dividend payout ratio was reduced accordingly. Therefore, the Group received a pre-tax dividend payment of HK$175 million from Everbright Bank during the reporting period, down 50% from 2016.

ANALYSIS OF CORE COMPETITIVENESS

Through years of business transformation, CEL has achieved remarkable results in terms of branding, international expansion, cross-border capability, business diversification as well as innovation, successfully building up a set of core competitive strengths:

1. A strong brand and extensive network

Benefiting from the resources and brand strength of its parent company, China Everbright Group, and building on its well-recognised and trusted capability in fundraising and investments, CEL has been able to gain a large number of established institutional clients, who have entrusted us to manage large sum of money.

The amount raised through CEL's funds continued to maintain a rapid growth, increasing from HK$33.3 billion in 2013 to HK$129.1 billion in 2017, representing a CAGR of 40%.

2. Cross-border capability and international expansion

CEL was established in Hong Kong in 1997 as a subsidiary of China Everbright Group, one of the pioneering forces behind China's reform and opening up. Based in Hong Kong, CEL has a long history of helping domestic and overseas investors to gain access to the China market. The ability to tap both Mainland and Hong Kong markets for financing in different currencies has put CEL in a strong position to take advantage of opportunities in cross-border investments. We adopt a "China perspective" as we continue to expand our cross-border operations. Our Overseas Infrastructure Investment Fund and Global Investment Fund have been able to capitalise on numerous overseas M&A opportunities. We have also successfully invested in a range of quality projects including Tirana International Airport.

3. Strong and fully-fledged asset allocation capability

With the rapid growth of our private equity funds, venture capital funds, sector focused funds, mezzanine funds, as well as secondary market fixed income and equity funds, CEL has been able to offer an increasingly diverse range of funds, forming an important foundation for building a strong and fully-fledged asset allocation capability.

Following the launch of our first FoF in 2016, CEL introduced a comprehensive asset allocation solution in 2017 by partnering with China Merchants Bank, a global leader in commercial banking, to launch a multi-strategy equity investment FoF, which offers investors a more diversified alternative investment option. The partnership with China Merchants Bank also reflects leading institutions' acknowledgment of CEL's asset allocation capability.

4. Strength in product diversification and continuous innovation

CEL offers a diverse range of fund products in multiple currencies, including RMB, the US dollar and the Hong Kong dollar, with different investment horizons, such as long-term private equity investments, medium- to short-term mezzanine funds and open-end secondary market funds. Our funds offering has an extensive industry coverage including real estate, consumption upgrade, intelligent manufacturing, healthcare and pan-entertainment. As such, we are well-positioned to capture the golden opportunities in every industry.

In terms of product innovation, CEL has partnered with leading players in the investment industry, successfully building the Co-GP model to facilitate the foray into emerging industries. For example, CEL and Focus Media jointly launched a New Industry Investment Fund. We also partnered with IDG, which specialises in TMT investments, to launch the Everbright-IDG Industrial Fund.

Towards the end of the year, CEL and Walden International, a world-renowned investment firm, acted as co-managers to launch Walden CEL Global Fund – I. The fund will focus on investing in companies along the industry chains of semiconductor and electronic technology, including innovative chip makers, AI and hardware-software integration providers. In addition, the fund will introduce the high-end technologies and innovative models of its portfolio companies into the China market, so as to produce a high-quality projects stream for CEL in China; generate synergy within the industry; and to provide stronger support to the technological upgrade and development in China's semiconductor industry.

OUTLOOK

In 2018, overall condition and sentiment across global markets have been relatively upbeat, as the world economy stays on the path of recovery. China maintains its robust momentum with GDP growing at a pace of 6.9% in 2017. The acceleration in wealth accumulation has led to greater demand for asset management, creating a benign backdrop for the business.

Despite improving economic fundamentals, the US is at the start of a rate hike cycle. The pace at which interest rates rise will impact fund flows, and balance sheet cuts and tightening fiscal policies will also reduce the amount of investable capital in the market. Meanwhile, China is expected to tighten rules and regulations on the asset management industry in 2018, increasing the difficulty for PE funds to raise capital. As a cross-border asset manager, CEL needs to exercise prudence and continue to monitor the geopolitical and fiscal risks facing cross-border investments, making adjustment to its positioning as needed.

In terms of fundraising, we expect macro environment in the asset management market to remain positive in 2018 with continual growth in demand. Given the immense regulatory pressure on China's insurance and banking sectors, institutional investors from these industries will seek to partner with investment firms with scale and a leading market position. Against this backdrop, CEL has continued to build on its established brand name and strong track record by leveraging the support of China Everbright Group. We expect fundraising to maintain a robust growth over a long period of time.

Regarding investments, years of low interest rates and economic recovery have pushed global asset prices to stretched levels, posing challenges for funds looking for quality projects at reasonable valuations. Nevertheless, as the outlook for economic recovery in the US and Europe becomes more certain, opportunities should continue to emerge in 2018. With our strong experience and market connection gained through years of investment, as well as the successful launch of our overseas infrastructure and global investment funds, CEL will continue to identify suitable overseas investment opportunities that have solid potential while continuing to participate in the strong growth of China's domestic industries.

As for exit strategies, in light of the changing market conditions, returns generated through IPO exits will likely decline, while exits through M&A is expected to produce higher returns, making it the new go-to channel for exiting investments. Over the years, CEL has accumulated a strong project pipeline. In both the fund management and principal investments segments, we expect to exit from more projects as they mature in 2018. We will continue to open up different exit channels and will seek to maintain the overall stability of our annual divestment gains.

In the year ahead, principal investments will continue to support the growth of our fund business, contribute to balancing the overall performance and liquidity of CEL, as well as inject new projects into our funds in a timely manner. The complementary model of principal investments and fund management will continue to maximise returns for CEL.

In terms of platform development, CEL has completed the integration and setup of two major platforms, namely FoFs and institutional sales. Going forward, the platform will play a key role in centralising sales and the expansion of project streams. At the same time, the continuing optimisation of the big data and electronic management platforms will allow back-office functions, including finance, risks management, legal and compliance, and internal audit, to devote much more time in improving management efficiency, and thereby provide stronger support to the growth of frontline operations.

Through 20 years of effort, CEL has grown into a leading player in China's cross-border investment and asset management industry. We have entered 2018 stronger than ever, and we will continue to identify market opportunities and remain focused and ambitious as we work together with our shareholders, investors, business partners and staff to open a new chapter in asset management industry of China and beyond.

FINANCIAL POSITION

As at 31 December 2017, the Group's total assets amounted to HK$72.9 billion with net assets amounted to HK$42.3 billion. Equity attributable to equity shareholders of the Company per share was HK$24.1, increased by 9.0% compared with the end of 2016. As at 31 December 2017, the Group's interest-bearing debt ratio increased to 57.8% (2016: 49.6%).

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 2017, the Group had cash and bank balances of HK$5.2 billion, decreased by HK$0.8 billion compared with the end of 2016. Currently, most of the Group's cash, representing 87%, is denominated in Hong Kong dollars and Renminbi.

BORROWING

The Group will review and ensure sufficient banking facilities to reserve resources to support its business development. As at 31 December 2017, the Group had banking facilities of HK$18.88 billion, of which HK$6.89 billion had not been utilised. The banking facilities were of 1 to 5 years terms. The Group had outstanding bank loan of HK$11.99 billion, increased by 13.8% compared with the end of 2016. All the outstanding bank loans were unsecured as at 31 December 2017. During the year, the Group issued corporated bonds with principal amount of RMB2.5 billion. The interest-bearing borrowings were mainly denominated in Renminbi, representing about 55% of the total, and the remaining were mainly denominated in US and Hong Kong dollars.

PLEDGE OF ASSETS

As at 31 December 2017, no fixed deposits were 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 were secured against liabilities to the prime brokers. As at 31 December 2017, assets deposited with the prime brokers included HK$1,306 million and HK$160 million which formed part of the Group trading securities and debtors respectively.

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.

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.

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.

(b) Liquidity risk

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

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

(c) Interest rate risk

The Group monitors its interest rate exposure regularly to ensure that the underlying risk is monitored within an acceptable range.

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 Finance and Accounting Department under the delegated authority of the Board of Directors and is monitored by Risk Management Department. 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 mainly transact in financial instruments that mature or reprice in the short to mid term. Accordingly, the Group would be subject to limited exposure to fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

(d) Currency risk

The Group's exposure to currency 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, Renminbi, United States dollars and Singapore dollars, 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.

(e) Equity price risk

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

The Group's investments in listed equity instruments 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 guidelines. Independent daily monitoring of each portfolio against the corresponding guidelines is carried out by the Risk Management Department. Listed equity instruments 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.

CONTINGENT LIABILITIES

As at 31 December 2017, 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 2017 for the provision of the guarantees related to the facilities utilised by the subsidiaries was HK$8,186 million.

EMPLOYEES

As at 31 December 2017, the Group had 320 employees. Total staff costs for the period under review amounted to approximately HK$525 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.

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.6 per share for the year ended 31 December 2017 (2016: HK$0.5 per share). Together with the interim dividend of HK$0.25 per share already paid, the aggregate dividends for the year is HK$0.85 per share (2016: HK$0.75 per share).

The final dividend, subject to shareholders' approval at the forthcoming annual general meeting, is expected to be paid on Thursday, 21 June 2018 to those shareholders whose names appear on the register of members of the Company on Monday, 11 June 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 11 May 2018 to Thursday, 17 May 2018, 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 Thursday, 10 May 2018.

The register of members of the Company will also be closed from Friday, 8 June 2018 to Monday, 11 June 2018, 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 Thursday, 7 June 2018.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Ball Room, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 17 May 2018 at 3:00 p.m.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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.

The Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") has been duly adopted by the Board as the code on corporate governance practices of the Company.

The Board would like to confirm that, subsequent to careful examination and review, the Company has complied with the CG Code for the year ended 31 December 2017. Except there is not a specific terms of appointment of Mr. Tang Shuangning, who was redesignated as the Non-executive Director of the Company with effect from 12 December 2016. However, pursuant to the Articles of Association of the Company, Mr. Tang shall retire by rotation and will subject to reelection at least once every three years. Mr. Tang Shuangning resigned as Non-Executive Director of the Company on 16 March 2018.

Details of the Company's implementation of its Corporate Governance, will be reported and disclosed in the Company's Annual Report 2017.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a "Code for Securities Transactions by Directors and Relevant Employees" (the "Code") which is no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors, the Directors confirmed that they have complied with the required standard of dealings set out in both the Code and the Model Code for the year ended 31 December 2017.

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 policies and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the financial statements of the Group for the year ended 31 December 2017.

The Committee was renamed as the Audit and Risk Management Committee in 2007 with risk management function included in its terms of reference. On top of the duties required by the Listing Rules, it also responds to provide oversight of the Company's risk management programs, and to review the effectiveness of management's processes for identifying, assessing, mitigating and monitoring enterprise-wide risks.

NOMINATION COMMITTEE

The Nomination Committee currently comprises Dr. Lin Zhijun (Chairman), an independent non-executive Director, Dr. Cai Yunge, the Chairman of the Board, and 2 other independent non-executive Directors, namely Mr. Seto Gin Chung, John and Dr. Chung Shui Ming, Timpson. Its primary responsibilities include making recommendations to the Board on appointment of Directors, Senior Management of the Company and assessing the qualifications and competencies of the candidates, so as to ensure that all nominations are fair and transparent. The terms of reference of the Nomination Committee are disclosed on the website of the Company.

During the year under review, the Nomination Committee made recommendation to the Board for new Board members appointment, reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, assessed the independence of the independent non-executive Directors, and discussed and made recommendation to the Board on the re-election of the retiring Directors at the forthcoming 2018 annual general meeting of the Company, etc.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises Mr. Seto Gin Chung, John (Chairman), an independent non-executive Director, Dr. Cai Yunge, the Chairman of the Board, and 2 other independent non-executive Directors, namely Dr. Lin Zhijun and Dr. Chung Shui Ming, Timpson. The terms of reference of the Remuneration Committee, which are disclosed on the website of the Company, set out the duties of the Remuneration Committee, including determining, with delegated responsibilities, the remuneration packages of the individual executive Directors and senior management.

During the year under review, the Remuneration Committee reviewed the performance appraisal of executive Directors and senior management of the Company, the incentive scheme of the Company, and the policies and proposal on performance appraisal of the Company's staff (including senior management) annual bonus and annual salary adjustment.

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

Hong Kong, 28 March 2018

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

Executive Directors
Dr. Cai Yunge *(Chairman)*
Mr. Chen Shuang *(Chief Executive Officer)*
Mr. Tang Chi Chun, Richard
Mr. Zhang Mingao
Mr. Yin Lianchen

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