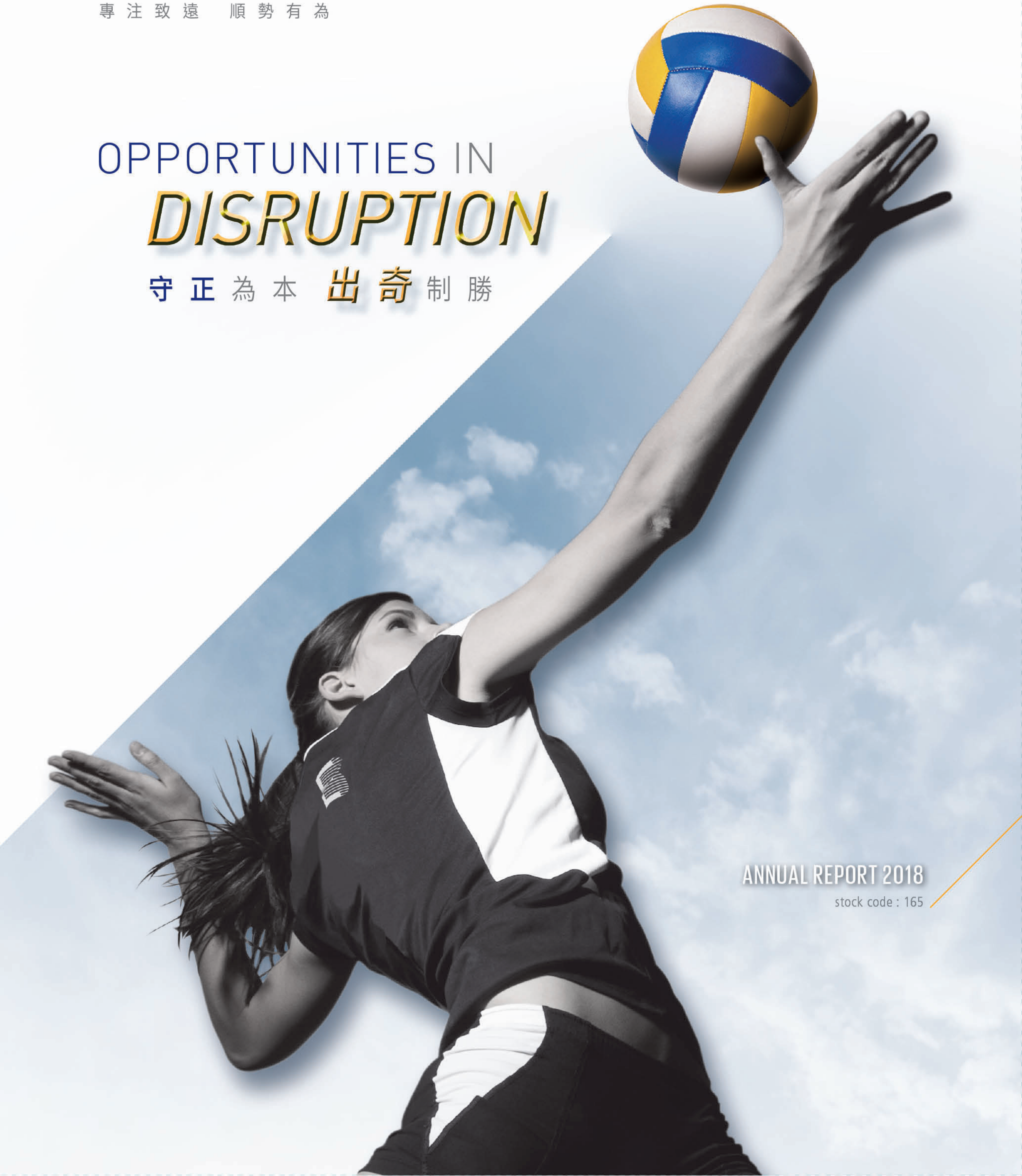
光大控股
EVERBRIGHT

The Power to *Transform*
專注致遠 順勢有為

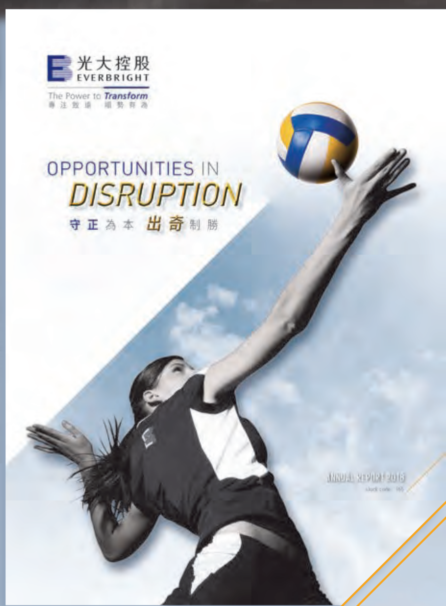
OPPORTUNITIES IN DISRUPTION
守正為本 出奇制勝



ANNUAL REPORT 2018

stock code : 165

COVER STORY



OPPORTUNITIES IN DISRUPTION

The financial markets in 2018 were dynamic with challenges and game-changing moments like a volleyball match.

Steady performance, professional skills and a cohesive team are the basics and core competencies of the greatest teams as well as leading financial institutions.

But to win and stand out among their peers, the team has to be responsive to changes on the court and be decisive, mastering tactics and adjusting strategies according to the environment.

Building on the DNA of being STABLE and STRONG yet AGILE and INNOVATIVE, Everbright has demonstrated its capability to Master the Playbook and Embrace Opportunities in Disruption. With sound fundamentals and its out-the-box thinking, Everbright has consistently delivered winning plays.

TABLE OF CONTENTS

FINANCIAL SECTION

SOLID

SOLID FUNDAMENTALS

In 2018, the global economy experienced a tumultuous year with increased market uncertainties and depressed sentiment. Even in the face of a sector-wide downturn in private equity, however, China Everbright Limited's core businesses delivered a solid performance, showcasing its core competencies in cross-border investment and asset management.

STRATEGIES

BREAKTHROUGH STRATEGIES

In the private equity sector, China Everbright Limited overcame the pressures brought on by tightening regulations and difficulties in fundraising with breakthrough strategies. Leveraging on a multi-prong approach, the Group exceeded expectations in fundraising for its USD funds and fund of funds, once again demonstrating its strength in fundraising capabilities.

FOCUSED

DIVERSE AND SPECIALISED

With an increased number of now 62 funds under its management, China Everbright Limited has invested in a total of over 180 companies globally, covering multiple fields including real estate, medical and healthcare, new energy, infrastructure, high technology, advanced manufacturing, fintech and cultural consumption. Each sector-focus fund is managed by professional fund managers with diverse and specialised skills.

COMPANY **OVERVIEW**

CHINA'S CROSS-BORDER ASSET MANAGEMENT INDUSTRY PIONEER

China Everbright Limited (CEL, stock code: 165.HK) was renamed and founded in Hong Kong in 1997 with over 20 years' experience in PE investments and asset management. It is China's leading cross-border investment and asset management company, backed by its parent company China Everbright Group. Through the private equity funds, venture capital funds, industry funds, mezzanine funds, fund of funds, fixed income and equity funds it manages, Everbright cultivates a number of high-growth-potential enterprises together with its investors. While closely following the development requirements of Chinese companies, it also introduces the best overseas technologies into the Chinese market, providing multifaceted services to Chinese and overseas clients.

Moreover, via its principal investment, CEL is cultivating CALC, the largest independent aircraft leasing operator in China; incubating CEL Terminus, a unicorn enterprise specialising in AI and Internet of Things; and also integrating high-end elderly care platforms in China to build a proprietary and quality senior care brand.

CEL became one of the first Hong Kong stocks to be traded following the launches of the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programmes in April 2014 and December 2017.

CEL adheres to the motto of "The Power to Transform". With a firm footing in Hong Kong – a true bridge between East and West – an international platform, and specialised sector focused teams, CEL is well-positioned to take advantage of the long-term opportunities presented by changes in the global markets, to respond flexibly, and to become a pioneer in Chinese cross-border investment and asset management.

Renamed and Founded in
1997

HKD
143.5
billion AUM

62
Investment Funds

As of 31 December 2018, CEL managed 62 funds and a total AUM of HK$143.5 billion. Through both proprietary funds and the funds it manages, CEL has invested in companies both in China and globally, including China UMS, Goldwind, CECEP Wind-power Corporation, HC SemiTek, BGI, Betta Pharmaceuticals Co. Ltd., Amcare, LifeTech Scientific Corporation, Focus Media, iQiYi, SenseTime, NIO, Tirana International Airport, Boreal, Burke Porter Group, Wish, Xjet and Satixfy, etc. It has invested in a total of over 300 companies, covering fields including real estate, aircraft leasing, medical & healthcare, elderly care, new energy, infrastructure, high-end manufacturing, advanced technology and cultural consumption. Of these, more than 150 companies have been listed in China or overseas, or were listed but have since withdrawn due to mergers and acquisitions.

OUR COMPANY STRUCTURE

CEL is the second-largest shareholder of Everbright Securities (stock code: 601788.SH, 6178.HK) and a strategic shareholder of China Everbright Bank (stock code: 601818.SH, 6818.HK). It is also the largest shareholder of Everbright Jiabao Co., Ltd (stock code: 600622.SH). In Hong Kong, it is the largest shareholder of China Aircraft Leasing Group Holdings Limited (stock code: 1848.HK). In Singapore, it is the second largest shareholder of Ying Li International Real Estate Limited (stock code: 5DM. SGX). CEL and its subsidiary companies currently have offices in Hong Kong, Beijing, Shanghai, Shenzhen, Qingdao, Tianjin, Singapore and Dublin.

CHINA EVERBRIGHT GROUP

CHINA EVERBRIGHT LIMITED
(165.HK)

Principal Investment

- Nurturing new fund products with seed capital
- Jointly investing in projects under Fund Management business and providing bridging loan to fund products requiring fundraising
- Responding swiftly to market opportunities and investing in projects offering long-term return, e.g. aircraft leasing, elderly care industry

Fund Management

- Covering Primary Market Funds, Secondary Market Funds, Mezzanine Funds, Fund of Funds and Everbright Prestige Capital Asset Management businesses
- Offering USD- and RMB-denominated fund products
- Investing in both international and China projects

OUR ADVANTAGES

Resources from China

China Everbright Group, the parent company of CEL, owns wide business networks and substantial resources in Mainland China

Internationalised Team

As a listed company operating in Hong Kong for years, we have built our international team of professionals and corporate management experiences

Experienced in cross-border finance

Possess rich and professional experience in cross-border financial activities and investment

Integration of industry and finance

We use our financial perspective to look into the industries with long-term growth potential, at the same time introducing innovative financial products

2018 BUSINESS DEVELOPMENT HIGHLIGHTS

FUND MANAGEMENT BUSINESS CONTINUED TO THRIVE

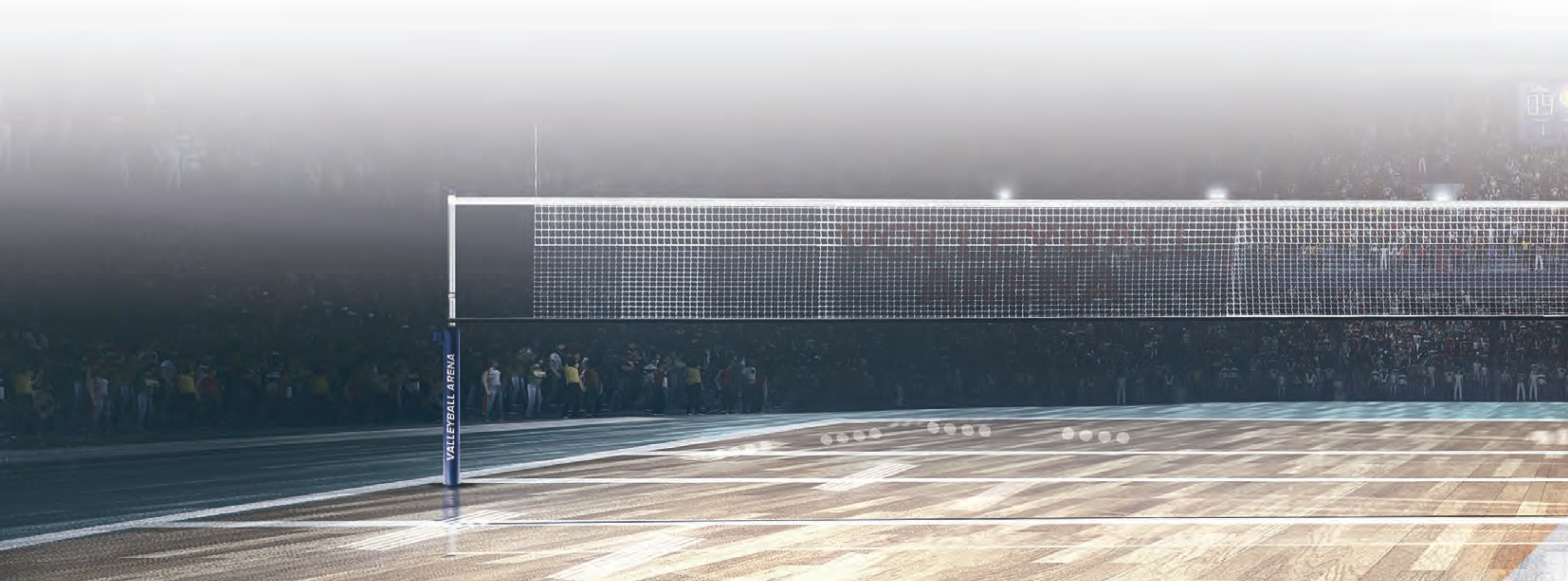
- On the strength of its brand and track record, **CEL's total AUM increased** 11% to HK$143.5 billion despite a macro-economic downturn and tightening of industry regulations
- **Strengthened fundraising domestically and overseas.** First half of 2018 saw an increase in fundraising momentum for USD-denominated funds while the success in the second half was marked by the setup of two large-scale Fund of Funds (FoF) with local government agencies in China

GLOBALISATION MOVEMENT

- **Cross-border investment capabilities strengthened** with the setup of the Walden CEL Global Fund I and the CEL New Economy USD Fund, increasing the total number of overseas funds to five as well as expediting global allocation, resulting in the ex-China investment ratio increasing to about 30%
- **Investments made to address China's needs**, facilitating the Burke Porter Group ("BPG"), a world-leading advanced manufacturing and high-end equipment supplier, to set up a new plant in Wuxi, China
- EBA Investments successfully **"went global"** by acquiring Arrow RE Holdings, a well-known US asset management company, taking a step closer toward its vision of becoming a global cross-border real estate asset manager

DIVERSE DEVELOPMENT OF PRINCIPAL INVESTMENT BUSINESS

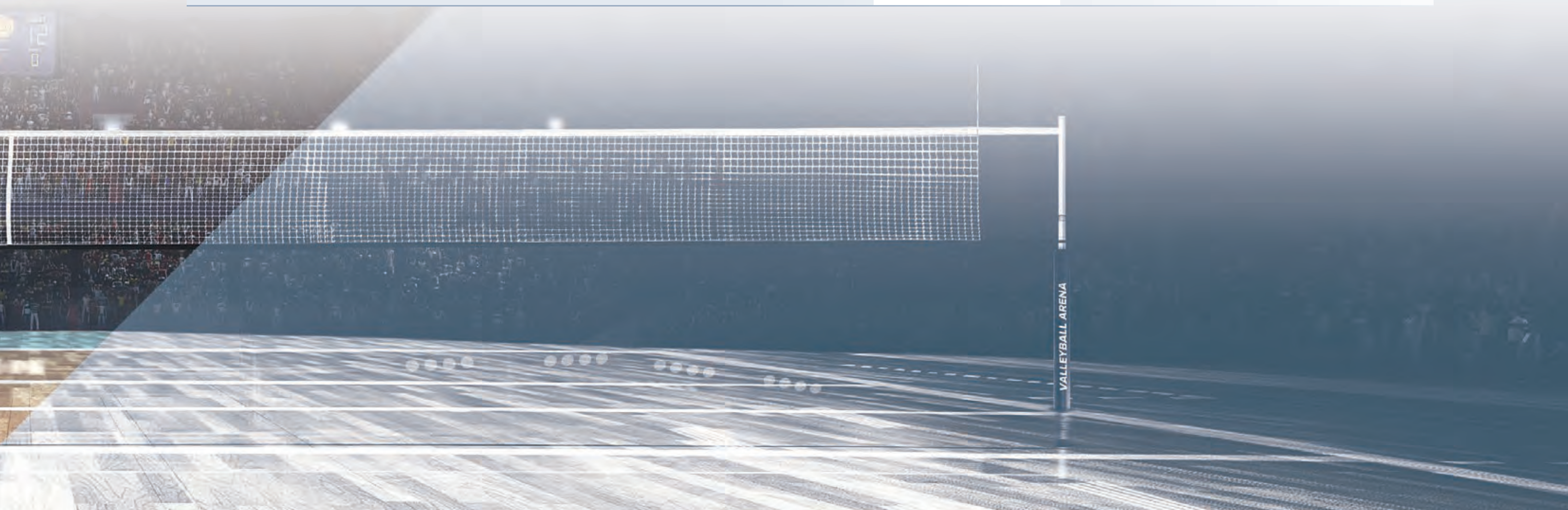
- Developed deep-rooted expertise in aircraft leasing, elderly care and 'AIoT' sectors through CALC, Huichen Senior Care and CEL Terminus, **creating multiple high-quality ecosystem platforms with great potential**
- **Expanded structured finance business** to provide structured investment and financing services for corporate customers, building a business model featuring short cycle, efficient divestment and high returns for the Group's principal investments



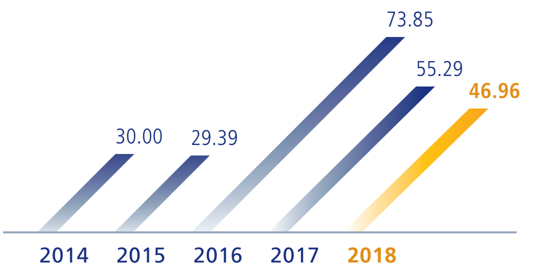
Major Income Items (in HK$ 100 million)	2018	2017	Change
Total income	**46.96**	55.29	(15%)
Operating income, which mainly includes:	**16.44**	17.67	(7%)
– Management fees	**3.54**	3.08	15%
– Performance & consultancy fees	**2.07**	1.99	4%
– Interest income	**3.87**	3.98	(3%)
– Dividend income	**8.50**	5.76	48%
Other net income, which mainly includes:	**30.52**	37.62	(19%)
– Capital gain (realised gain/loss)	**13.13**	21.65	(39%)
– Capital gain (unrealised gain/loss)	**13.60**	11.73	16%

Profit Attributable to Shareholders in Business Segments (in HK$ 100 million)	2018	2017	Change
Profit attributable to shareholders of CEL's direct operating business	26.42	28.62	(8%)
Share of profit from Everbright Securities	0.60	8.35	(93%)
Dividend income contributed by Everbright Bank (after tax)	3.13	1.57	99%
Profit from disposal of Everbright Securities	0.89	2.94	(70%)
Total	31.04	41.48	(25%)

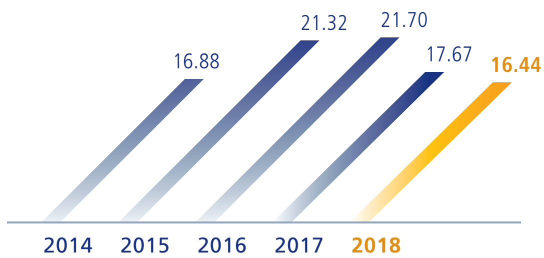
Allocation of equity attributable to the Company's equity shareholders (in HK$ 100 million)	2018	2017	Change
Everbright's direct operating business	218	197	11%
Everbright Securities Stakeholding	115	135	(15%)
China Everbright Bank Stakeholding	66	75	(12%)



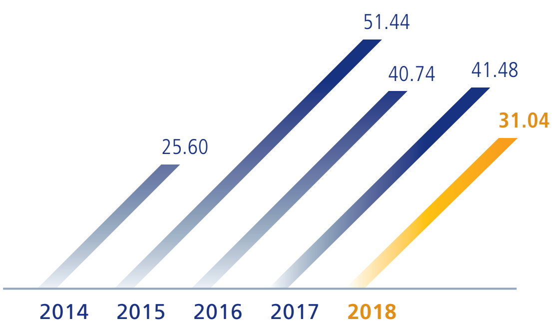
TOTAL INCOME
(HK$100 million)



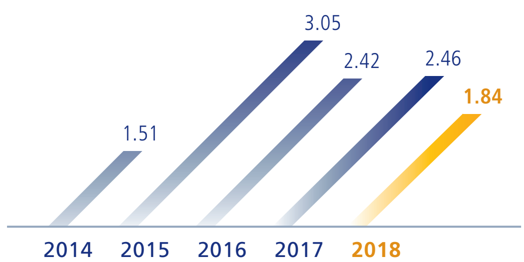
OPERATING INCOME
(HK$100 million)



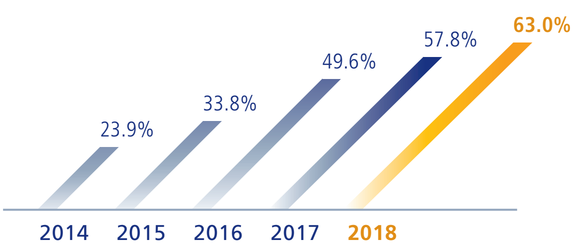
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY
(HK$100 million)



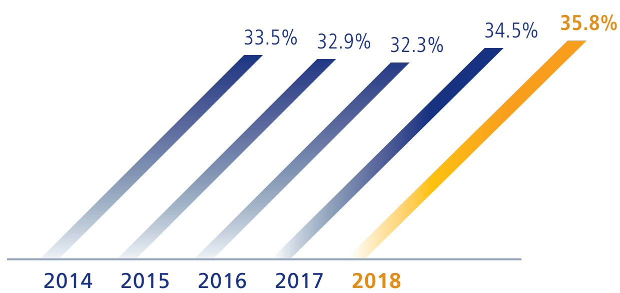
BASIC EARNINGS PER SHARE
(HK$)



GEARING RATIO
(%)



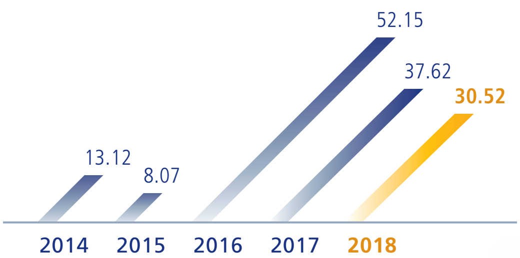
DIVIDEND PAYOUT RATIO#
(%)



Excluded gain on deemed disposal of investment in associates

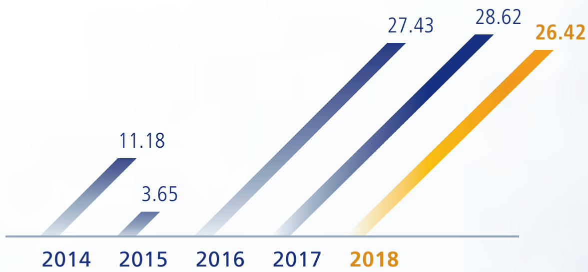
OTHER NET INCOME

(HK$100 million)



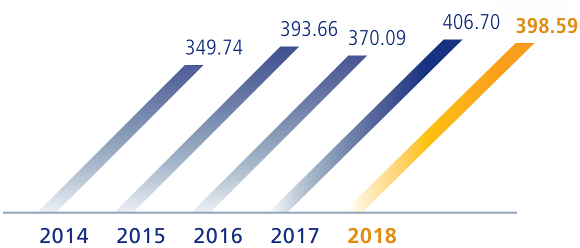
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF DIRECT OPERATING BUSINESS

(HK$100 million)



TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

(HK$100 million)



2018 REVIEW

BUSINESS REVIEW

Everbright implemented a long-term strategy for building its cross-border investment and asset management business, proactively optimising all of its businesses and units for expansion. Besides investing in a number of domestic and overseas projects, the company also focused on key initiatives such as setting up new funds, completing fundraising rounds and listing certain projects.

Fund Establishment and Fundraising

- Everbright Haiyin Fund, which focuses on investments in the advance technology sector, completed its first round of fundraising.
- Everbright Medical and Healthcare Fund III completed its first round of funding, boosting the AUM of healthcare funds reached RMB 2.6 billion.
- CEL jointly established a FoF with an AUM of RMB5.1 billion with Hunan Caixin Financial Holding Group, as well as jointly established a Jiangsu Liyang-CEL Investment Fund with the municipal government of Liyang, Jiangsu with an AUM of RMB 2 billion.

- Together with China Merchant Capital's China Trade in Service Innovation Investment Fund and Jiangsu Province's Nantong Economic and Technological Development Area Committee, CEL set up the "Nantong Semiconductor Investment Fund" with its first round of funding reaching RMB 500 million.

- CEL Terminus completed Series B1 fundraising with RMB 1.2 billion, accelerating its expansion in the AIoT industry.

Investment Projects

Invested by **Everbright Zhongying Capital**:

- Liking Fit

  24-hour smart Internet fitness brand

- Chunmi

  Leading enterprise committed to developing small household electronic appliances and contributing to the Xiaomi's ecosystem

Invested by **CEL New Economy USD Fund**:

- NetEase Cloud Music

  Leading music streaming platform in China

Invested by **Walden CEL Global Fund I**:

- AQUANTIA

  Manufacturer of high-speed transceivers

- ACM Research

  Provides advanced equipment for semi-conductor production companies

- Kateeva

  Makes inkjet deposition production equipment solutions for manufacturers of OLED displays

Invested by **Everbright Overseas Infrastructure Investment Fund**:

- Boreal Holding AS

  One of the largest players in the Norwegian public transport market

Invested by **CEL Global Investment Fund**:

- Cloud Light Technology Ltd

  Provides customised solutions for optical transceivers and active optical cables for data centres

Invested by **Everbright Haiyin Fund**:

- WiTricity

  World's first mass producer of wireless charging appliances

Invested by **RMB Mezzanine Fund II**:

- Dekang Group

  One of the fastest developing farming and breeding enterprises

Invested by **Medical & Healthcare Fund**:

- LifeTech Scientific Co., Ltd

  One of China's leading cardiovascular medical equipment companies

Other **overseas investment projects**:

- Arctic Green

  A leading global developer and operator of geothermal heating technology in Iceland

Project Listing

Projects listed on the Hong Kong Stock Exchange:

- Kinergy Corporation Ltd (3302.HK)

- Hope Education Group Co. (1765.HK)

- Meituan Dianping (3690.HK)

Projects listed on Nasdaq in the US:

- Eloxx Pharmaceuticals (NASDAQ: ELOX)
- iQiyi (NASDAQ: IQ)

- UXIN Group (NASDAQ: UXIN)

Projects listed on the New York Stock Exchange:

- NIO (NYSE: NIO)

Projects listed on the Shanghai Stock Exchange:

- Qingdao Port International Co, Ltd. (601298.SH)

Other Significant Events

- EBA Investments, the real estate asset management platform of CEL:
  - Completed an overseas acquisition of a well-known US asset-management company, Arrow RE Holdings
  - Postal Savings Bank (Beijing) – the first Grade-A branch which was launched, operated and managed by EBA Investments' New Everbright Centre – purchased the office building of No.2 New Everbright Centre.
  - "EBAM-EBA Investments Commercial Real Estate ABS 1-X" received the No Objection Certificate issued by Shenzhen Stock Exchange on the issuance of the project with a scale of RMB 10 billion. With the approval, EBA Investments has become the first issuer to obtain the shelf registration of commercial REITs.

- CEL's China Aircraft Recycling Remanufacturing Base, Asia's first large-scale aircraft recycling facility, has formally commenced operation.

- Burke Porter Group, a portfolio company of CEL Global Investment Fund, launched its new facility in Wuxi to further drive the development of the smart manufacturing equipment industry in China.

- CEL formed a strategic partnership with Investcorp to expand into China's new economy.

- CEL Financial Technology, a wholly-owned technology company of CEL, formed a strategic partnership with China Everbright Bank to jointly establish the first domestic online payment platform for retirement plans, to drive the development of smart elderly care services.

CORPORATE SOCIAL RESPONSIBILITIES

As a Hong Kong-based financial institution with support from Mainland China, CEL has a strong focus on Corporate Social Responsibilities. The company has been supporting charity projects that benefit Hong Kong's society and national development, through a number of social service projects under the four themes of "Bright Companion", "Vitality Everbright", "Education Support", and "Art Promotion".

Bright Companion

- As a major, long-term supporter of Lifeline Express, CEL sponsored Lifeline Express's annual fundraising dinner for the seventh consecutive year, as well as supported their charity golf day, and CEO Chen Shuang performed in their Charity Concert to raise funds for Lifeline Express. In 2018, CEL and Lifeline Express organised a parent-child volunteer tour with around 30 participants to visit the "eyetrain hospitals" and cataract patients in Xinjiang, providing help to the medical staff and bringing love to the patients.

orbis 奥比斯 救盲伙伴 2018-19 Corporate Partner

- Being the Hong Kong Corporate Partner of Orbis, the largest international sight-saving organisation in the world, CEL continued to support its global campaigns in restoring the eyesight of underprivileged cataract patients.

Vitality Everbright

- Title sponsored the world's most popular and challenging obstacle race, Spartan Race, in Hong Kong at April and November, an event that attracted over 13,000 participants. The activity aims to promote a self-challenging spirit to transform and breakthrough in order to practise a healthy lifestyle.

CEO Chen Shuang led a team to participate in the 100 km Oxfam Trailwalker for the third consecutive year, and managed to raise more than HK$200,000 to support poverty alleviation and relief work by Oxfam.

CEL sponsored and participated in the UNICEF Charity Run for the third consecutive year, and supported UNICEF's work in eliminating the mother-to-child transmission of HIV in developing countries.

Education Support

CEL supported the launch of Dalton School Hong Kong in 2017, which offers a world-class learning environment for students. The company continued to support fundraising initiatives for the Dalton Foundation.

Title sponsored Endeavour Education Centre's "China Everbright Voice of The Stars Story-Telling Scheme", a continuation of support since 2016. The project aimed to raise awareness of Chinese history amongst Hong Kong's young people.

- Sponsored "YO! Dancical" for the fourth consecutive year to raise funds for Youth Outreach, an organisation that is committed in turning high-risk youth into positive teenagers.

- Funded Child Development Centre's "Daddy Daughter Ball" for the fourth consecutive year, which provided support to children with special educational needs in Hong Kong.

- Sponsored the "Teach For China – Annual Charity Gala Dinner", which raised funds for the Foundation to support the education of underprivileged children in China.

Art Promotion

- As a long-term partner of Hong Kong Ballet, Everbright title sponsored "Giselle" and "The 1st Annual International Gala of Stars" in 2018. For three consecutive years, CEL has donated to Hong Kong Ballet's "Accessibility Fund" to offer free tickets to underprivileged families.

- Title sponsored "Bosch Dreams" Asian Premiere presented by the 46th Hong Kong Arts Festival, which brought a world-class performance to Hong Kong audience.

- Title sponsored the Hong Kong and Mainland China tour of "Hu Xueyan, My Dear", a drama production by Hong Kong Repertory Theatre. The show aimed to bring the excellence of Hong Kong drama to the Mainland, and foster the development of arts between Hong Kong and Mainland China.

Volunteer Work

- In 2018, CEL organised various volunteer activities including a "Mural Creation Workshop" for cross-boundary students in Sam Shui Natives Association Huen King Wing School, visits to underprivileged families in Sham Shui Po, a co-organised parent-child volunteer program in Xinjiang with Lifeline Express to bring love and care to the underprivileged cataract patients at Lifeline's eyetrain hospital, and an outdoor learning activity with students with special needs. The volunteering services were well-supported by our colleagues. This year, CEL invited district councillors from the Sham Shui Po and Central-Western Districts to participate in volunteering services with a view to get first-hand experience on the living standards of families and secondary school students with limited caring support, in order to raise awareness and improve their living standards with the assistance from councillors.

ACTIVE PARTICIPATION IN PROMOTING SOCIOECONOMIC UNDERSTANDING AND DEVELOPMENT OF FINANCE INDUSTRY

In 2018, CEL's senior management actively participated in a number of forums, utilising their professional knowledge to promote the development of the industry.

- During the year under review, CEO Chen Shuang and the senior management attended a number of professional financial seminars as guest speakers on behalf of CEL, such as the forum on "Opportunities for Hong Kong and Taiwan Enterprises Brought by the Development of the Greater Bay Area", Global Venture Capital Summit, The Future of Hong Kong's Capital Market Forum, ChinaVenture Investment Conference Annual Summit, AI Leaders Summit, SuperReturn Asia, AVCJ China Forum, Zero2IPO Group's 18th China Equity Investment Annual Forum, and so on. They shared their insights in finance and investment through their professional knowledge.

2018 AWARDS & ACCOLADES

In 2018, the company, its investment teams and the CEO won over 40 awards and honours, affirming CEL's position as an industry-leading cross-border asset management and investment institution. The major accolades CEL received were as follows:

Company awards:

- "Top 30 Best PE Firm in China" by Forbes China, Zero2IPO, China Venture and China Bridge
- "The Most Influential Private Equity Investment Firm Top 10", "Top 10 M&A Funds" by China Venture
- "The Best LP in China Top 20" and "The Best M&A Investment Firm Top 10" by China Bridge

CEO Chen Shuang attained:

- "China Top 100 Investors" for two consecutive years
- "The Best CEO" by Sina Finance

- "Top 30 Equity Investor in China" by China Bridge

Awards attained by Investment teams:

- EBA Investments ranked first for four consecutive years in **"Top 10 China Real Estate Funds"**

- Everbright Prestige awarded the **"Best Innovative Asset Management Firm Top 10"** by Securities Times
- Fund of Funds (FoF) team awarded **"2018 Top 10 Market Funds (State-owned Category)"** by China Venture Capital and **"The Best FoF in China Top 10"** by China Bridge
- Everbright-IDG Industrial Fund awarded **"Top 10 Investment Case Studies in the AI and Big Data Industry – SenseTime"** and **"Top 10 Investment Case Studies in China's Internet Industry – iQiyi"** by China Venture
- Everbright Zhongying Capital awarded **"Best Case Studies in Chinese advanced manufacturing and hi-tech industry Top 10- XPENG Motors"**, **"Best Case Studies in China Internet industry Top 10 - Youxinpai"** by China Venture, and **"The Best Investment Firms In New Consumption Sector Top10"** by Lieyunwang
- Everbright Overseas Infrastructure Fund attained **"The Best M&A Management Award"** at the 11th China M&A Service Awards 2018, for the acquisition of Boreal Holding AS
- China Everbright Asset Management Ltd:
  - Received four awards at the Second Overseas Golden Bull Fund Awards, including **"Three-Year Overseas Golden Bull Private Fund Company (Equity Long-only)"**, **"Three-Year Overseas Golden Bull Private Fund Company (Fixed Income)"**, as well as **"Three-Year Overseas Golden Bull Private Fund Investment Manager (Equity Long-only)"** to Mr. Keith Wu and **"One-Year Overseas Golden Bull Private Fund Investment Manager (Fixed Income)"** to Mr. Will Chung, both are Managing Director of China Everbright Asset Management Ltd.

  - Received **"The Most Competitive Cross-Border Asset Management Company"** at The 2018 Golden Shell Award

- Everbright Dynamic Bond Fund and Everbright China Focus Fund was awarded five awards by I&M Professional Investment Awards including, **"Best Hedge Fund Manager"**, **"Best China A-Share Equity Fund (3-Year)"**, **"Best China Hedge Fund (3-Year)"**, **"Best Offshore RMB Bond Fund (3-Year)"** and **"Best Offshore RMB Bond Fund (5-Year)"**

- Everbright China Focus Fund was **ranked in fourth place** by BarclayHedge, a leading hedge fund research and rating firm, under the category **"Emerging Markets (all asset class) – Asia"** for its performance over the last three years, as well as **"Three-Year Best Equity Private Fund"** by Yinghua Award

Corporate Social Responsibility and Human Resources awards:

- CEL and China Everbright Charitable Foundation was awarded as **"Caring Company"** and **"Caring Organisation"** for seven consecutive years

- Recognised as the **"Manpower Developer"** by Employees Retraining Board for the second year

- Recognised as **"2017/18 Family-Friendly Employers"** as well as **"Special Mention 2017/18"** by Home Affairs Bureau and Family Council

- Received the **"Happy Company"** logo from Hong Kong Productivity Council for four consecutive years

- Awarded the **"Hong Kong Outstanding Corporate Citizenship Logo" (Enterprise and Volunteer Category)** by Hong Kong Productivity Council for the three consecutive years

CHAIRMAN'S STATEMENT

CEL CONTINUED TO LEVERAGE ON ITS DUAL DRIVERS OF FUND MANAGEMENT BUSINESS AND PRINCIPAL INVESTMENT BUSINESS IN 2018. BY ADVANCING IN MOMENTUM AND DELIVERING THE POWER TO TRANSFORM, CEL MANAGES TO GROW ITS CORE BUSINESSES CONSISTENTLY.

In 2018, the international landscape was profoundly altered by setbacks in economic globalisation and attacks on multilateralism, causing turmoil that reverberated across international financial markets. China-US trade frictions in particular adversely impacted market expectations. China's economy was stabilising amid discourse and concerns in the face of a slowdown in economic growth and continuous adjustments to the financial market, hindering the development of real economy. With upgrades in financial regulations and the implementation of New Asset Management Rules designed to mitigate financial risks and to standardise the development of the industry, China's asset management industry experienced a significant transformation as internal and external pressure points converged last year.

During the period under review, China Everbright Limited (the "Group" or "CEL"), which celebrated its 20th anniversary the year before, continued to leverage on its dual drivers of fund management business and principal investment business in the face of market changes. By advancing in momentum and delivering the power to transform, CEL manages to grow its core businesses consistently. As it launched new fund products and increased its fundraising scale, the Group optimised its business composition with cautious asset allocation. The Group also fortified the construction of its ecosystem platforms with principal capital and would ultimately increase the allocation of cross-border investments to effectively expand its global footprint.

For fund management business, against the backdrop of tightening regulations, increased difficulty in fundraising and slow investment, CEL captured opportunities in disruption globally by leveraging on the advantages of being backed by its motherland, China and facing the global market. It strengthened its dual-currency fundraising channels and increased its allocation in new economy and big consumption sectors, further solidifying its position as the leader in China's private equity industry. New primary market funds, including the Walden CEL Global Fund I, CEL-iQiyi Cultural Equity Investment Fund, CEL Smart Entertainment Industry Investment Fund and CEL New Economy USD Fund completed their initial rounds of fundraising. The Group also established a RMB

7.1 billion Fund of Funds with Hunan Caixin Financial Holding Group Ltd and Jiangsu Pingling Construction Investment Group Co Ltd respectively, pushing the AUM to a new record high. As a result, the Group managed total of 62 funds and its AUM surged to HK$143.5 billion for the end of 2018, an increase of 11% year-on-year. Currently, there are 158 post-investment projects under management that cover multiple high-growth industries, including Neteasy Cloud Music, Cloud Light Technology Limited, Eastwes, Chunmi, Xiaopeng, Dekang Group, and so on. Meanwhile, the Group also fully supported the growth of its portfolio companies, of which six successfully went public on US and Hong Kong stock exchanges during the year under review, becoming the Group's reserve for future divestment.

In terms of principal investments, the Group supported industries such as aircraft leasing, artificial intelligence and elderly care, and built numerous ecosystem platforms to cultivate, strengthen and enhance the leading edge of each of these market sectors. The Group's CALC continued to ramp up its leasing business and optimised its fleet size to a scale of 133 aircraft. It also set up an aircraft investment vehicle CAG, and commenced operation of Asia's first large-size aircraft recycling and remanufacturing base to widening the scope of CALC's full value chain services from solely aircraft leasing. With its powerful productization of frontier technology, quick application capability and the fastest commercialization, Terminus has become a unicorn enterprise in the AIoT industry, providing solutions for over 10.8 million population in more than 30 provinces and 84 cities. The Group also saw rapid development in its elderly care industry, and strengthened its investment presence in the Beijing-Tianjin-Hebei and Yangtze River Delta regions. Currently, there are 25 elderly centres and close to 10,000 beds under management.

During the period under review, CEL strengthened its cross-border M&A drive and actively expanded its international footprint with a view to further balancing its global asset allocation. The Group made principal investments in CEL Impetus Corporate Finance, an investment bank in Singapore, and acquired one of the biggest Norwegian public transport operators Boreal with the Everbright Overseas Infrastructure Investment Fund. The Group also introduced Investcorp, a world-leading alternative investment company, through the CEL New Economy USD Fund. EBA Investments completed the acquisition of a well-known US asset management company, Arrow RE Holdings, while the Burke Porter Group, investees of the CEL Global Investment Fund, grew into a world-leading manufacturer of automotive chassis testing equipment.

During the period under review, CEL's steady performance was recognised by various parties. The Group was honoured with "Top 30 Best PE Firm in China" by Forbes China, Zero2IPO, China Venture and China Bridge. The investment teams also received multiple awards. EBA Investments ranked first for the fourth time in "Top 10 China Real Estate Funds", CEL's Fund of Funds was named "2018 Top 10 Market Funds (State-owned Category)" by China Venture Capital and "The Best FoF in China Top 10" by China Bridge, investment cases of Everbright-IDG Industrial Fund and Everbright Zhongying Capital also attained numerous awards by China Venture, and China Everbright Asset Management Ltd received numerous awards at Overseas Golden Bull Fund Awards, I&M Professional Investment Awards, as well as Everbright China Focus Fund ranked in fourth place by BarclayHedge under the category "Emerging Markets (all asset class) – Asia" for its performance over the last three years.

During the period under review, CEL's total income amounted to HK$4,696 million, representing a decrease of 15% year-on-year, in a challenging and complex market environment. The net profit attributable to shareholders was HK$3,104 million, down 25% year-on-year. Excluding the impact of HKFRS 9, total income increased by 6% and the net profit attributable to shareholders decreased by 8%, in which net profit attributable to shareholders of CEL's direct operating businesses achieved an increase of 17% compared to last year. The development of CEL was strongly supported by our shareholders. Based on our principle of sharing the fruits of development, and the consideration of the Company's healthy financial status, the needs for sustainable development and others, the board recommends the payment of a 2018 final dividend of HK$0.4 per share. The total dividends for the year amount to HK$0.66 per share, with a dividend payout ratio of 35.8%.

History is marked with struggles, as the future is built on the back of hard work. Looking ahead, we are convinced that while the market is filled with risks, it is also nurturing new opportunities. Adversity is a blessing in disguise, investors and capital will continue to converge to the strongest players in the China's asset management industry. CEL will continue to stand at the forefront of the market, focusing on real and long-term value creation, and waiting for the right timing to take flight in the path of victors. In 2019, I look forward to working with our shareholders and fund investors. Together, we will go further and build a bigger dream.

CAI YUNGE

Chairman

28 March 2019

MANAGEMENT DISCUSSION & ANALYSIS

CEL'S TOTAL FUNDRAISING AMOUNT INCREASED TO AN IMPRESSIVE SCALE OF HKD143.5 BILLION IN 2018, ACHIEVING GREAT RESULTS WITH ITS DIVERSIFIED ASSET-ALLOCATION AND ITS CROSS-BORDER INVESTMENT CAPABILITIES.

ITS COMPLEMENTARY MODEL OF FUND MANAGEMENT BUSINESS AND PRINCIPAL INVESTMENTS LAYS THE FOUNDATION OF THE COMPANY'S STEADY GROWTH.

REVIEW AND ANALYSIS

Macro-economic review

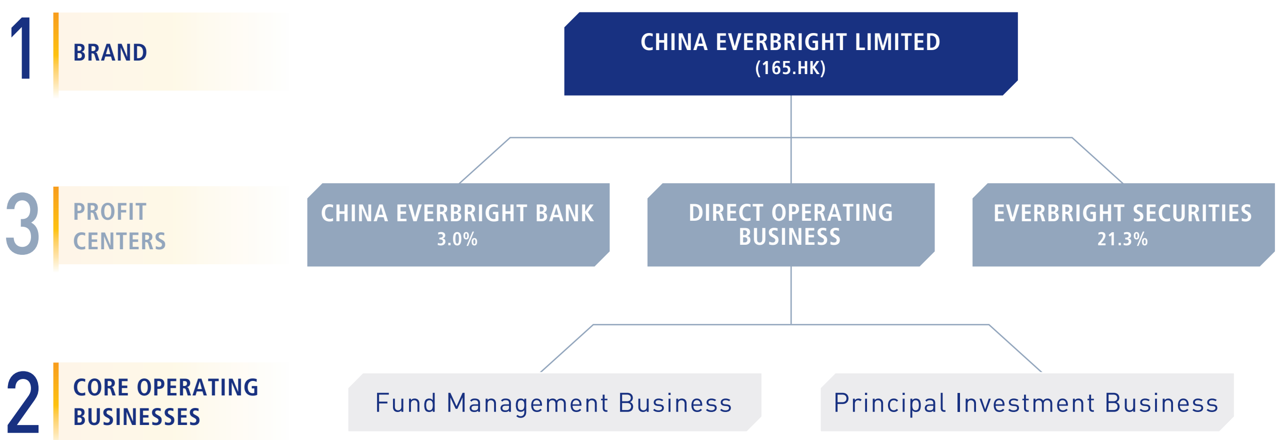
After enjoying rapid growth in 2017, the global economy experienced a tumultuous year in 2018. Despite starting on a strong note in 2018, the world economy was buffeted by escalating trade tensions between major economies, as well as increased political and economic uncertainties in some countries. This led to both heightened volatility in global financial markets and dampened investor confidence about the economic outlook, deepening downside risks and causing a notable decline in growth parity. Driven by tax cuts, the US economy expanded at a fast pace in 2018, outshining the rest of the developed world with a full-year GDP growth of 2.9%. On the other hand, growth forecasts weakened across the eurozone, Japan and the UK, while emerging markets and developing economies also faced tremendous challenges. Although the meeting between US and Chinese leaders at the G20 Summit resulted in a trade war truce, significant uncertainties continued to weigh on the market and investor confidence. In China, both the real economy and the domestic financial market were hit hard in 2018 by financial deleveraging and tighter credit conditions. The Shanghai Stock Exchange Composite Index closed the year with a loss of 24.6%. GDP growth further slowed to its weakest pace in recent years, with the full-year growth rate at 6.6%.

In 2018, the Chinese government rolled out a series of asset management policies to regulate the asset management business of financial institutions, unify regulatory standards for same-category asset management products to prevent and control financial risks. The most important among these was the "Guiding Opinions on Regulating the Asset Management Business of Financial Institutions" ("New Asset Management Rules") introduced on 27 April. This was followed by the introduction of other management measures targeting a number of sub-sectors. These measures have impelled investors to exercise extreme caution in investing, making it much harder for the fundraising in asset management industry.

Despite a weaker macro-economic and tough environment compared with previous years, CEL continued to seek opportunities in disruption to be in line with China Everbright Group's overarching strategy of "building a world-leading cross-border asset management company" and "developing China Aircraft Leasing Group Holding Limited ("CALC") into a leading global aircraft leasing company". These efforts have resulted in innovative fund products, record-high funds raised from large-scale international institutional investors, an increase in global asset allocations, and successful launches of international investment projects in China, the upgrade and transformation of CALC's business, a stronger presence in the artificial intelligence ("AI") sector, and positioning the structured finance business as the new driving force behind profit growth. Overall, these achievements generated a steady growth momentum for CEL.

Milestones in 2018

During 2018, CEL's direct operating businesses of fund management and principal investments served as dual business drivers and achieved multiple breakthroughs as follows:



1 Continuous innovations in fund offerings: CEL stepped up its domestic and overseas fundraising efforts. With its various primary market funds closing their initial rounds of funding during the period under review, which included the Walden CEL Global Fund I, CEL-iQiyi Cultural Equity Investment Fund, CEL Smart Entertainment Industry Investment Fund, Everbright-IDG Hongsheng Investment Fund, Everbright-IDG Qianxing Investment Fund, Everbright Haiyin Fund, Everbright Medical and Healthcare Fund III, Everbright Nantong Semiconductor Investment Fund and CEL New Economy USD Fund, CEL also continued to expand the assets under management ("AUM") (Note 1) of its secondary market funds and established two new Fund of Funds (FoF), namely Hunan-CEL Investment Fund and Jiangsu Liyang-CEL Investment Fund. As a result, the Group's AUM surged to HK$143.5 billion, an increase of 11% year-on-year, further cementing the Group's leading position in the domestic private equity fund industry.

2 Promoted cross-border inbound and outbound investments: CEL's funds invested in projects overseas, such as the Green Energy Geothermal Project, Norway-based Boreal Holding AS, Kateeva, AQUANTIA and ACM Research, with a view to further balancing its asset allocation globally. As these projects are closely related to China's needs, they will help improve the standard of relevant industries in China if introduced to China. During the period under review, CEL successfully facilitated the setup of a new factory in Wuxi for an investee of the CEL Global Investment Fund, the Burke Porter Group ("BPG"), a world-leading advanced manufacturing and high-end equipment supplier, contributing to the development of China's smart equipment manufacturing industry. Meanwhile, EBA Investments, the Group's private equity real estate fund management platform, also successfully "went global" by completing an overseas acquisition of an US well-known asset management company, Arrow RE Holdings, in April 2018, helping EBA Investments realise its vision of becoming a global cross-border real estate asset manager.

3 Established various ecosystem platforms through principal investments: Utilising its strong investment and post-investment management capabilities, CEL tapped opportunities in industries such as aircraft leasing, artificial intelligence (AI) and elderly care through principal investments to cultivate them as high-quality ecosystem platforms with great potential. During the period under review, CALC set up China Aircraft Global Limited ("CAG"), an international aircraft leasing and investment platform, as it embarked on its transition towards an asset-light business model. It also opened an aircraft recycling remanufacturing base that covers the entire supply chain with differentiated services. In the AI sector, CEL invested in the AI unicorn, Terminus which specializes in the technology and application of AI and the Internet of Things (AIoT) to provide solutions for government agencies and companies in smart city, public security, smart firefighting and building energy management. Terminus serves communities, business districts, scenic areas, schools, ecological environment and other scenes. At the same time, it develops proprietary high-tech innovative products such as edge gateway for face recognition, police robots to improve industrial efficiency for customers. For elderly care, CEL has two elderly care brands, namely Huichen Senior Care and Enjoy Twilight Years which have presence in Beijing-Tianjin-Hebei and Yangtze River Delta regions and strive to expand nationally. Currently, there are 25 elderly centers and close to 10,000 beds under management.

4 Accelerated development of structured finance business: In addition to maintaining capital liquidity, CEL's principal investments also played a key role in optimising the Group's returns. During the period under review, CEL proactively increased its structured financing activities all of which were subject to rigorous risk management and control. As a result, the Group established a business model for its principal investment featuring short-term investment, efficient divestment and high returns, significantly boosting its capital efficiency and generating stable and healthy returns.

Note 1: AUM refers to the committed capital from 3rd party fund investors (limited partners) + CEL's seed capital to the funds at its historical cost

Operating Results

Revenue

During the reporting period, CEL's total income amounted to HK$4,696 million, representing a decrease of 15% year-on-year. The implementation of HKFRS 9 on 1 January 2018 had an extraordinarily one-off negative impact of approximately HK$1,172 million on CEL's 2018 profit or loss. Before this change, the full-term investment income realised as a result of divestment of available-for-sale securities (the change in value compared to its historical cost) could be fully recognised in the profit or loss transferring from other comprehensive income. However, as a result of the new accounting standard, only the change in fair value between the beginning of the year and the final divestment price can be reflected in the profit or loss of the corresponding financial year. Therefore, the full-term investment income from divestments, including but not limited to Betta Pharmaceuticals, Beijing Genomics Institute, China TCM and Macquarie Everbright Greater China Infrastructure Fund, cannot be recognised in CEL's 2018 profit or loss. If adopting 2017 accounting standards, the total income in 2018 should be adjusted from HK$4,696 million to HK$5,868 million, an increase of 6% year-on-year after adjustment.

CEL generated its income primarily from its direct operating businesses (Note 2) which generate two main income streams: the fee-related income CEL charges its fund investors as a fund manager and the investment-related income generated by CEL's capital investments (Note 3). With respect to the fee-related income, as the growth in AUM scale, CEL's management fees in 2018 increased by 15% to HK$354 million, while performance and consultancy fees increased slightly by 4% to HK$207 million. In terms of investment-related income, the decrease in capital gain (realised) was more apparent due to the adjustment of asset prices and the slowdown in divestment in 2018. Due to the introduction of HKFRS 9 on 1 January 2018, other than the shares of Ching Everbright Bank, all available-for-sale securities were re-classified as financial assets at fair value through profit or loss, as a result, CEL's capital gain (unrealised) in 2018 increased by 16% to HK$1,360 million compared with last year. The change in fair value recognised in profit or loss can better reflects CEL's investment and post-investment management capabilities, but has the downside of increasing the volatility of CEL's overall profitability. Dividend income refers to the dividends received by CEL's various equity investments, including the dividend contribution from China Everbright Bank under strategic investment business. China Everbright Bank recovered its dividend payout to past level in 2017, driving an increase of 99% in dividend contributions from China Everbright Bank to CEL during the period under review.

Major Income Items (in HK$ million)	**2018**	2017	Change
Operating income, which mainly includes:	**1,644**	1,767	(7%)
– Management fees#	**354**	308	15%
– Performance & consultancy fees#	**207**	199	4%
– Interest income*	**387**	398	(3%)
– Dividend income (Note 5)*	**850**	576	48%
Other net income, which mainly includes:	**3,052**	3,762	(19%)
– Capital gain (realised gain/loss)*	**1,313**	2,165	(39%)
– Capital gain (unrealised gain/loss)*	**1,360**	1,173	16%
Total income (Note 4)	**4,696**	5,529	(15%)

Fee-related income

* Investment-related income

Note 2: Direct operating business refers to the fund management business and principal investment business which are actively managed by CEL

Note 3: Capital investments include the seed capital invested in CEL's own fund products and the principal investment

Note 4: Total income is calculated as operating income + other net income

Note 5: Including dividend income from China Everbright Bank under strategic investment business

Profit

After deducting operating expenses, the net profit attributable to shareholders of CEL's direct operating businesses in 2018 was HK$2,642 million, a year-on-year decrease of 8%. As previously mentioned, the implementation of HKFRS 9 disallows the full-term investment net profit attributable to shareholders generated from investment projects, including but not limited to Betta Pharmaceuticals, Beijing Genomics Institute, China TCM and Macquarie Everbright Greater China Infrastructure Fund which is HK$695 million in total, to be fully recognised in the 2018 profit or loss. Using 2017 accounting standards for comparison, the net profit attributable to shareholders of CEL's direct operating businesses in 2018 would be adjusted from HK$2,642 million to HK$3,337 million, an increase of 17% after adjustment. In terms of strategic investment, the profit contribution from affiliate Group company, Everbright Securities, was HK$60 million, down 93% year-on-year, while dividend income contributed by Everbright Bank was HK$313 million, up 99% year-on-year. Due to China's weak stock market performance, the Group slowed down its pace in disposing Everbright Securities' shares, resulting in a corresponding decrease in profit. As a result of the aforementioned factors, CEL's profit attributable to shareholders was HK$3,104 million, down 25% year-on-year. The board recommends the payment of a 2018 final dividend of HK$0.40 per share, representing a decrease of 33% compared with the same period last year. Total dividends for the year amount to HK$0.66 per share, representing a decrease of 22%.

Profit Attributable to Shareholders in Business Segments (in HK$ million)	2018	2017	Change
Profit attributable to shareholders of CEL's direct operating business	2,642	2,862	(8%)
Share of profit from Everbright Securities	60	835	(93%)
Dividend income contributed by Everbright Bank (after tax)	313	157	99%
Profit from disposal of Everbright Securities	89	294	(70%)
Total	3,104	4,148	(25%)

Key financial ratios

Due to the decrease in total income, the operating cost-to-income ratio increased by 5.3 percentage points to 22.2%. As of 31 December 2018, interest-bearing borrowings increased to HK$26.1 billion, while the gearing ratio increased to 63.0%. In addition, as approximately RMB3 billion panda bonds will be due in 2019 (which maturity can be renewed to 2021 and 2022 by batch according to the terms and conditions), therefore, the current liabilities increased to HK$10.9 billion, lowering the current ratio to 117%.

Key Financial Ratios	2018	2017	Change
Operating cost-to-income ratio (Note 6)	22.2%	16.9%	5.3 ppt
Gearing ratio (Note 7)	63.0%	57.8%	5.2 ppt
Current ratio	117%	219%	(102 ppt)

Note 6: Total operating cost-to-income ratio is calculated as (staff costs + depreciation and amortisation expenses + operating expenses)/(operating income+ other net income)

Note 7: The gearing ratio is calculated as interest-bearing borrowings/ total equity

1. FUND MANAGEMENT BUSINESS

Asset management is one of CEL's key businesses, which is supported by more than 10 professional investment teams managing multiple fund products which investors are all institutional investors, including commercial banks, insurance companies, family offices, companies, government agencies and so on.

Riding on CEL's strong brand and excellent investment track record, the total assets under management ("AUM") of the fund hit a compound annual growth rate of over 40% from 2010 to 2017 and exceeded the scale of HK$100 billion in 2017. Taking full advantage of the unique positioning as a cross-border asset manager, CEL's USD-denominated funds had a strong fundraising momentum in the first half of 2018 while CEL strived to partner with China's local government agencies to launch two large-scale Fund of Funds (FoF) in the second half of the year, with successful fundraising results in both domestic and overseas market. However, the introduction of new domestic regulations on asset management with stricter supervision and the growing challenges in fundraising, coupling with the macroeconomic downturn in the second half of the year. CEL's total AUM decelerated its growth in 2018 compared to previous years, up 11% to HK$143.5 billion. Among it, funds raised from external investors accounted for about 75%, and CEL's seed capital accounted for about 25%.

CEL has a diverse fund product offerings. Funds primarily focuses on equity investment opportunities in primary market, have an aggregate AUM of HK$104.5 billion, accounting for 73% of CEL's total AUM. Secondary-market-focused equity and fixed income funds have an aggregate AUM of HK$19.8 billion, accounting for 14% of the total. The Fund of Funds (FoF) investments which invest in sub-funds operated by CEL or other fund managers, has an aggregate AUM of HK$19.2 billion, accounts for 13% of CEL' total AUM. As at 31 December 2018, the Group managed a total of 62 funds (Note 8) and received a stable inflow of management and performance fees.

The segment income of fund management business amounted to HK$2,183 million during the period under review, down 32% compared to last year. The major reason for the drop is because the decrease of financial assets at fair value through profit or loss led by the slump in the secondary market, offsetting the appreciation from CEL Global Investment Fund and Everbright Overseas Infrastructure Investment Fund. As a result, the unrealised gain from CEL's fund management business income amounted to HK$152 million, representing an net appreciation in value.

Major Income of Fund Management (in HK$ million)	**2018**	2017	Change
Management fees	**354**	308	15%
Performance & consultancy fees	**55**	197	(72%)
Interest income	**170**	166	2%
Dividend income	**404**	351	15%
Realised gain	**786**	737	7%
Unrealised gain	**152**	1,000	(85%)
Share of Everbright Jiabao's results as an associate	**154**	88	75%

Note 8: Refers to earning-generating funds under management during the period under review

Below are the funds under the Group and its affiliates' fund management businesses (as at 31 December 2018):

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 and consumer	US$100 M
		China Special Opportunities Fund III (CSOF III)	2010	Agriculture, consumer goods, servicing and financial auxiliary	US$399 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 focused funds	EBA Real Estate	2009	China real estate	RMB47.9 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 Medical and Healthcare Fund III*	2018	Healthcare industry	RMB805 M
		Everbright Jiangsu New Energy (Low Carbon) Fund	2011	New materials, environmental protection and energy saving	RMB100 M
		Everbright Qingdao New Energy (Low Carbon) Fund	2013	New materials, environmental protection and 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	RMB10.1 B
		Harmonious Core Fund	2016	Investment opportunities in sub-sector leaders	RMB2.76 B
		Harmonious Bright Core Fund	2016	Investment opportunities in sub-sector leaders	RMB1.39 B
		Everbright Zhongying Capital	2016	Pan-entertainment	RMB1.63 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
		CEL Smart Entertainment Industry Investment Fund*	2017	Pan-entertainment	RMB360 M
		Everbright-IDG Hongsheng Investment Fund*	2017	Investment opportunities in sub-sector leaders	RMB500 M
		Everbright-IDG Qianxing Investment Fund*	2017	Investment opportunities in sub-sector leaders	RMB97 M
		CEL-iQiyi Cultural Equity Investment Fund*	2018	Pan-entertainment	RMB520 M
		Everbright Haiyin Fund*	2018	Advance technology, AI, robotics	RMB1.05 B
		Everbright Nantong Semiconductor Investment Fund*	2018	Semi-conductor Industry	RMB500 M

FUND BUSINESS	FUND TYPE	FUND NAME	YEAR OF LAUNCH	INVESTMENT FOCUS	FUNDRAISING SCALE
	Overseas funds	CEL Catalyst China Israel Fund	2014	Innovative Israel enterprises	US$150 M
		CEL Global Investment Fund	2016	Global Opportunities	US$540 M
		Everbright Overseas Infrastructure Investment Fund	2017	Global Infrastructure	US$400 M
		Walden CEL Global Fund I*	2018	Semi-conductor Industry	US$160 M
		CEL New Economy USD Fund*	2018	Global New Economy Opportunities	US$410 M
	Mezzanine funds	RMB Mezzanine Fund I	2012	Domestic Mezzanine Financing	RMB800 M
		RMB Mezzanine Fund II	2016	Domestic Mezzanine Financing	RMB1.23 B
Secondary Market Funds	Equity Funds		2012	Equity product investment	HK$3.82 B Equivalent
	Fixed Income Funds		2012	Fixed income product investment	HK$15.7 B Equivalent
	New Third Board Market Fund		2012	Equity investments in China Third Board market	HK$240 M Equivalent
Fund of Funds (FOF)	Parent funds	Multi-strategy Alternative Investment Fund	2015	Market-leading private equity fund	RMB5 B
		Everbright-CMB Multi-strategy Equity Investment Fund	2017	Market-leading private equity fund	RMB5 B
		Hunan-CEL Investment Fund*	2018	Market-leading private equity fund	RMB5.1 B
		Jiangsu Liyang-CEL Investment Fund*	2018	Market-leading private equity fund	RMB2 B
Total					HK$ 143.5 B Equivalent
Wealth Management		Everbright Prestige	2014	Domestic specific client's asset management	RMB 62 B

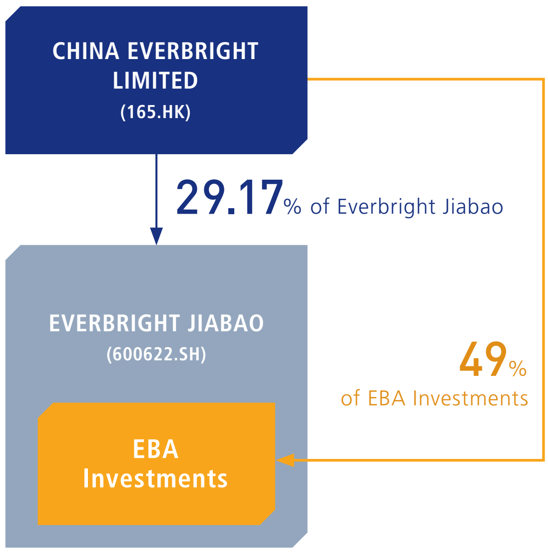
*: New-added funds under management that generate earnings during the period under review

1.1 Primary Market Funds

CEL focuses on private equity, real estate and mezzanine investments in primary market and is one of the leading private equity firms in China. It is listed on the PEI 300, an authoritative list and ranking of the global private equity firms globally. CEL is also frequently included in China's Zero2IPO's Zdatabase and Chinaventure.cn's CBSource annual ranking. Building on professional knowledge and network in regards to the industries, finance and capital utilization, CEL investment teams have gained a track record of identifying start-up companies with great growth potentials and possess the capability to nurture and accelerate their development. By seizing upon key investment windows amid their robust growth process, CEL manages to create optimal returns for its fund investors and shareholders. As at 31 December 2018, the Group managed 32 primary market funds, comprised of 2 private equity funds, 3 venture capital funds, 20 sector focused funds, 5 overseas funds and 2 mezzanine funds. Among them, EBA Investments is the largest in scale, with AUM size of RMB47.9 billion and 38 projects under management.

During the period under review, a handful of new funds had completed their initial rounds of fundraising and started to generate income. These funds include the Walden CEL Global Fund I, CEL-iQiyi Cultural Equity Investment Fund, CEL Smart Entertainment Industry Investment Fund, Everbright-IDG Hongsheng Investment Fund, Everbright-IDG Qianxing Investment Fund, Everbright Haiyin Fund, Everbright Medical and Healthcare Fund III, Everbright Nantong Semiconductor Investment Fund and CEL New Economy USD Fund. Most of them focus on semiconductor, pan-entertainment, high-tech, healthcare and new economy sectors. CEL has always partnered with renowned international private equity institutions, for instance, jointly establishing and managing Everbright Haiyin Fund with Hywin Capital, to increase its strategic allocation in the new economy sector. CEL also successfully introduced Investcrop, a world-leading alternative investment company, as a limited partner of the CEL New Economy USD Fund. This has enhanced their cooperation within the new economy sector on a global landscape and created synergy. In addition, CEL signed an agreement outlining a strategic cooperation framework with the Nanjing Municipal Government, preparing the establishment of New Economy Industrial Fund and Jiangbei-CEL Rail Transport Infrastructure Fund. Meanwhile, Air Silk Road Fund and Greater Bay Area Fund are under construction.

As the Group's private equity real estate fund management platform, EBA Investments mainly focuses on real estate asset management and primarily follows buy-and-hold investment strategy. As an asset manager and brand manager, EBA Investments develops, transforms and upgrades the properties, delivering stable cash flow and returns for its investors. In November 2016, the Group injected 51% of shares of EBA Investments into Everbright Jiabao, an A-share listed company. As at 31 December 2018, the Group still held a 49% share in EBA Investments, and is also the largest shareholder in Everbright Jiabao with a 29.17% stake. During the period under review, EBA Investments ranked first place in the "Top 10 China Real Estate Funds" for the 4th consecutive year.



For investment end, CEL has adopted a more cautious investment strategy during the period under review due to the deteriorating macro-economic environment. However, it still proactively allocates investments to the new economy and big consumer sectors, for instance, investing in Boreal, Neteasy Cloud Music, Cloud Light Technology Limited, Eastwes, Chunmi, Xiaopeng, Dekang Group, and so on. Currently, there are 158 post-investment projects under management that cover multiple high-growth industries, including real estate, healthcare, elderly care, infrastructure, high-end manufacturing and high-tech, as well as culture and entertainment.

CEL's main investment projects in 2018 were as follows:

1. EBA Investments has made progressive development in property development projects in first tier cities in Mainland China, such as the New Everbright Centre in Beijing and the EBA Investments Centre in Shanghai. Concurrently, it continues to develop two equally important commercial product lines, "IMIX Park" and "IMIX+", which is a "New Retail" shopping mall brand caters to consumption upgrade and "New Wholesale" commercial and exhibition centres brand respectively. During the period under review, it debuted two "IMIX Park" projects in Shanghai's Jing'an District and Xi'an respectively, and one "IMIX+" project in Chongqing Chaotianmen to address the needs for consumption upgrade. As at 31 December 2018, there were 15 "IMIX Park" projects under management or construction. Current project footprint covers first and second tier cities, including Shanghai, Beijing, Chongqing, Xi'an and Qingdao, among others, with a GFA of 1.51 million m^2.

2. EBA Investments set up a joint fund management platform with China Lodging Group Limited, creating ground-breaking developments in hotels and residential apartment investments. It also set up a city upgrading fund management platform with Shanghai Construction Group (SCG) to explore relevant investment opportunities.

3. Everbright Overseas Infrastructure Investment Fund acquired Boreal Holding AS, one of the biggest Norwegian public transport operators, with fund raised overseas. CEL plans to introduce Norway's advanced clean public transportation energy technologies in China, creating a win-win that will help China's utility enterprises adapt to international regulations and requirements.

4. CEL Global Investment Fund invested in Cloud Light Technology Limited, which is a market-leading custom optical communication solutions provider for global data centres. Based in Hong Kong, its main clients include the world's top data centre operators and equipment manufacturers. It also designs and provides optical sensor modules for leading European automobile manufacturers.

5. RMB Mezzanine Fund II completed its second round of financing for Dekang Group, which will support its research and development of AI agricultural technology. Dekang Group's main business is pig farming, with exponential growth in pig output from 100,000 in 2015 to millions in 2018. It is one of the lowest cost but largest scale and fastest developing farming and breeding enterprises in southwest region.

6. CEL Haimen Health and Pension Industry Investment Fund invested in Eastwes, which is China's leading enterprise in baby and children's food. It is also one of the earliest enterprises that engaged in research and development of baby and children's food in China. CEL's investment will be used in the construction of a new smart factory in Haimen, Jiangsu Province, marking Group's another important allocation to the healthcare and consumer sectors.

7. CEL New Economy USD Fund completed its investment in Neteasy Cloud Music, a leading music livestream platform in China.

For post-investment project management, contrary to pure a financial investor, CEL has always been actively involved in managing its investees, focusing on their mid- and long-term strategic development. With CEL's professional guidance, investees usually are able to achieve development breakthroughs, reflecting the Group's unrivalled capabilities in investment and post-investment management.

During 2018, CEL's investees reached a number of milestones as follows:

1. Everbright-IDG Industrial Fund investee, SenseTime, an innovative technology company in China that focuses on developing proprietary computer vision and deep learning technologies, as well as provides artificial intelligence products and solutions featuring face recognition, voice technology, word recognition and deep learning, announced the completion of a US$620 million series C+ funding round and a US$1 billion funding from Softbank China Capital in the second half of 2018. It has gone through eight rounds of financing since 2014, bringing its total valuation up to US$6 billion.

2 CEL Global Investment Fund investee, the Burke Porter Group ("BPG"), is a world-leading advanced manufacturing and high-end equipment supplier. Three years after CEL's investment, it has already solidified its world-leading position in the vehicle testing sector with growth rate of more than 20% per annum. In China's vehicle chassis test industry, BPG accounts for over 50% of the market share in the traditional vehicle segment, and for 90% of the market share in electric and hybrid vehicles. During the period under review, it set up a new plant in Wuxi, China to support the development of smart equipment manufacturing in China.

In terms of divestments, CEL realised the equity investment on its investees after years of nurturing and converted their equities into cash revenue with liquidity, earning both performance fees and capital appreciation. CEL has flexible divestment measures in place, including overseas and domestic IPOs, REIT listings, equity transfer as well as M&As in accordance to actual market conditions. During the period under review, it successfully divested investments such as China TCM and Betta Pharmaceutical.

Furthermore, many CEL projects had reached the mid- to final stage of the investment horizon during the period under review, becoming Group's reserve for future divestment. Projects that successfully went public on various stock exchanges in 2018 included:

1 iQiyi, which received investment from Everbright-IDG Industrial Fund, was listed on Nasdaq on 29 March 2018, becoming the fund's milestone investment in the pan-entertainment industry. NIO, another investment project, was also listed on the New York Stock Exchange on 12 September 2018, becoming China's first electric vehicle company to be listed in the US stock market.

2 Eloxx Pharmaceuticals, a biopharmaceutical company invested by CEL Catalyst China Israel Fund that specialises on rare genetic diseases, was listed on Nasdaq on 26 April 2018.

3 UXIN Group, which received investment from Everbright Zhongying Capital, was listed on Nasdaq on 27 June 2018, becoming the "First Listed Company in China's Second-hand Car E-Commerce Industry".

4 Hope Education Group, the second-largest private higher education group in China which owns and operates nine schools and received investment from RMB Mezzanine Fund II, was successfully listed in Hong Kong on 3 August 2018.

5 Meituan Dianping, a leading lifestyle e-commerce platform in China focusing on catering delivery service that previously a recipient of investment from CEL New Economy USD Fund, was officially listed in Hong Kong on 20 September 2018. It is the second dual-class stock on the Hong Kong Stock Exchange and its market capital reached HK$400 billion at one point.

Moreover, EBA Investments has announced the launch of "EBAM-EBA Investments Commercial Real Estate ABS 1-X" and received a no-objection letter from the Shenzhen Stock Exchange on its issuing size of RMB10 billion in December 2018. The product represents the nation first shelf registration on commercial REITS in China, indicating that Chinese real estate funds have entered into the phase of shelf-registration REITS.

1.2 Secondary Market Funds and Portfolios

As at 31 December 2018, CEL's secondary market platform managed 26 funds and accounts with total AUM (Note 9) of HK$18.0 billion. During the period under review, CEL's secondary market team achieved above-market returns with a net inflow of external investors' funds amounting to HK$2.39 billion and received numerous awards and nominations amid challenging market conditions. As at 31 December 2018, Everbright Dynamic Bond Fund, the flagship Asian USD-denominated bond fund managed by the fixed income team, had reached a fund size of US$543 million, representing an increase of 33.9% year-on-year. During the year under review, it achieved net of fees USD returns of -4.0% and performed in line with the market bond index (China High Yield Bond Index was -3.5% in the same period). Launched in December 2012, the fund has since delivered a net USD return of 51.35%, with an annualised return of 7.1%. The team continued to successfully carry out external fundraising activities for Everbright Dynamic Bond Fund and Everbright Convertible Opportunities Fund, bringing in numerous new overseas and domestic institutional clients to the company. As at 31 December 2018, Everbright Convertible Opportunities Fund had reached

Note 9: Refers to funds' net asset value a fund size of US$80 million, an increase of 109% year-on-year. During the period under review, Everbright Dynamic Bond Fund received numerous recognitions, including China Securities Journal's "Three-Year Overseas Golden Bull Private Fund Company (Fixed Income)" award, Insights & Mandates' "Best Hedge Fund Manager" award, Wall Street Traders Platform's "Best Chinese Offshore Fixed Income Private Fund" award, and a nomination for EurekaHedge's "Best Asian Fixed Income Fund" category. In addition, working with Everbright Sun Hung Kai, the secondary market team successfully launched the Group's first public fund, the Everbright Income Focus Fund. This introduced large domestic insurance groups as cornerstone investors and further enriched the range of fixed income product offerings during the period under review.

As at 31 December 2018, Everbright China Focus Fund, a Greater China long-only absolute return fund managed by the secondary market equity investment team, had reached a fund size of US$84.97 million, representing an increase of 10.4% year-on-year. During the year under review, it achieved net of fees USD returns of -6.4% and outperformed China Market Stock Index (the Shanghai and Shenzhen 300 Index yield was -25.31%, and the Hang Seng China Enterprises Index was -13.53% in the same period). Since the fund's inception in January 2014, the fund has registered a total net return of 93.34% with an annualised return of 14.1%, greatly outperforming the Chinese stock market index. Due to its stable and outstanding performance, Everbright China Focus Fund received multiple awards during the period under review, including the "Three-Year Overseas Golden Bull Private Fund Company (Equity Long-only)" award and the "Three-Year Overseas Golden Bull Private Fund Investment Manager (Equity Long-only)" award by China Securities Journal, the "Three-Year Best Equity Private Fund" China Fund Yinghua award by China Fund, and "Best China Hedge Fund (Three-Year)" and "Best China A-Share Equity Fund (Three-Year)" by Insights & Mandates. The fund was also ranked seventh by international hedge fund research firm BarclayHedge in its the Top 10 Emerging Market Asia Funds list in the first quarter of 2018 for its performance over the past three years (April 2015 to March 2018).

Moreover, secondary market equity investment team and the sales team capitalised on the opportunities that arose from increased interest in the Hong Kong stock market among domestic institutional investors and high-net-worth individuals, to develop and raise funds for onshore products that invest via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. During the period under review, the team also partnered with Bank of China and successfully rolled out the "FOTIC – CEL Shanghai-Hong Kong-Shenzhen Securities Collective Investment Trust Scheme". Furthermore, the team launched the Group's first Sunshine Private Fund product, "CEL Dynamic Shanghai-Hong Kong-Shenzhen Equity Fund", with a master-feeder fund structure as an investment manager. It raised a total of RMB240 million, further expanding both the Group's partnerships with other institutions and its range of product offerings.

1.3 Fund of Funds ("FoF")

CEL's FoF team currently invests in and manages 4 FoF products, namely Multi-strategy Alternative Investment Fund, Everbright-CMB Multi-strategy Equity Investment Fund, Hunan-CEL Investment Fund and Jiangsu Liyang-CEL Investment Fund. Among the sub-funds invested by these FoFs are internal funds managed by CEL, which include CEL Global Investment Fund, Everbright Medical and Healthcare Fund and RMB Mezzanine Fund, as well as external funds such as Sequoia Capital, Matrix Partners China, Boyu Capital and Walden International.

In August 2018, amid adversity in the capital market, CEL partnered with Hunan Province Caixin Financial Holding Group Limited to establish Hunan-CEL Investment Fund, successfully overcoming the tremendous challenges faced by private equity firms on fundraising from an intensifying financial deleveraging drive, tightened liquidity in the banking system, the introduction of New Asset Management Rules and a steep decline in the number of high-net-worth individual investors. The fund, which was established with a size of RMB5.1 billion, is managed by CEL's professional FoF team. It invests in sub-funds and companies in emerging industries mainly through equity investments or quasi-equity investments, with a focus on advanced equipment manufacturing, biomedicine and healthcare, high-performance medical equipment, the information industry, the cultural and creative industry, and, in particular, the information security, AR and VR space. The fund aims to take advantage of the opportunities arising from major investments or capital introductions, important M&As and restructuring activities, significant technological achievements and transformation, and large military-civilian integration projects.

To further expand the scale of the FoF business, CEL established Jiangsu Liyang-CEL Investment Fund in November 2018 with a total size of RMB2 billion. Combining both sub-fund investments and direct project investments, the fund has a focus on intelligent manufacturing, information technology, clean energy, new materials, healthcare, culture and tourism, and aeronautical and aerospace technologies. It targets to invest in companies with high growth potential. After supporting investees to become leaders in their respective industries by providing 360 degree value-add services, the fund will profit from divestment through IPOs, equity transfers or buybacks.

As at the end of December 2018, the total fund size of FoFs exceeded RMB17.1 billion, while the total capital deployed for sub-funds and equity investments exceeded RMB4.5 billion.

1.4 Wealth Management

CEL operates its wealth management business in mainland China through Everbright Prestige, a company jointly owned by China Post Fund and CEL. Everbright Prestige implemented the net capital management measures for asset management companies as stipulated by the China Securities Regulatory Commission. After completing an equity issuance in June 2018, Everbright Prestige fulfilled the net capital requirement within the transitional period as required.

In 2018, following the introduction of the net capital requirement and other new asset management regulations, China's asset management industry has continued to develop in line with the government's initiatives of "deleveraging, reduction of channel businesses and risk prevention". Everbright Prestige has taken proactive measures to optimise its operations and develop its business prudently. It also seeks partnership opportunities across multiple areas, levels and channels in accordance with regulatory guidance. Guided by the principles of ensuring business compliance and controllable risks, Everbright Prestige continues to provide customers with outstanding asset allocation services while generating stable investment returns for shareholders.

As of 31 December 2018, the AUM of Everbright Prestige's personal wealth management business was RMB62 billion, representing a decrease of 33% compared with the end of 2017. Operating income amounted to RMB255 million and profit before tax was RMB151 million. After-tax profit decreased by 21% year-on-year to RMB112 million.

2. PRINCIPAL INVESTMENT BUSINESS

In addition to being an asset manager, CEL also leverages on its large pool of principal funds with great flexibility to increase return on investments and optimise CEL's income structure. Without the limitation of fund mandate, principal funds can be used to invest in industries with great potential in a relatively longer investment horizon. During the period under review, CEL has adjusted its investment strategies in accordance to the changes in the market, and imposed strict control over additional mid- to long-term equity investments while being dedicated to developing risk-return balanced structured finance business, building a principal capital deployment model which aims for short-term investment, efficient divestment and high returns. As at 31 December 2018, the total assets under principal investment amounted to HK$18.8 billion, up 3% compared to last year.

Principal Investment Category (in HK$ billion)	2018
Strategic industry investment	3.10
Proprietary investment	15.00
Fund incubator investment	0.70
Treasury management	0.33

The segment income of principal investment business amounted to HK$2,724 million during the period under review, up 5% compared to last year. Because of the divestment of Focus Media which realised a gain of HK$1.3 billion in 2017, while there were no mega-sized divestments took plan in 2018, the realised gain dropped 69% to HK$505 million. On the other hand, due to the significant appreciation of Terminus and Beijing New Everbright Centre during the period under review, leading the unrealised gain of principal investment business in 2018 to increase to HK$1,074 million, up 304% year-on-year.

Major Income of Principal Investment (in HK$ million)	**2018**	2017	Change
Performance & consultancy fees	**152**	2	7500%
Interest income	**217**	232	(6%)
Dividend income	**98**	50	96%
Realised gain	**505**	1,614	(69%)
Unrealised gain	**1,074**	266	304%
Share of CALC's results as an associate	**277**	241	15%

CEL operates the following four investing businesses with principal capital to complement its fund management business:

1 Strategic industry investments:

CEL made principal investments in industries with high growth potential, including aircraft leasing, artificial intelligence and elderly care. CEL has incubated these businesses through various ecosystem platforms which stresses on creating synergies with other industries, boasting industry upgrade of the ecosystem platform and nurturing the investees to be the pioneers in their respective industries, as a result, CEL can ultimately enjoy the potential upside from their growth.

- In terms of aircraft leasing, the Group increase the stake in CALC to 34.05% as at 31 December 2018. The profit attributable to the Group increased to HK$277 million in 2018, up 15% year-on-year. CALC continues to expand its fleet size to cater to the growing international market. During the period under review, it delivered 29 aircraft and sold 3 aircraft. Its owned and managed fleet size reached 133 aircraft, up 24% compared to last year. CALC also purchased 65 aircraft to further bolster its order book during the period under review. In addition, the Harbin base under Aircraft Recycling International Limited ("ARI"), an associate company under CALC, commenced operation in June 2018 and is Asia's first large-size aircraft recycling and remanufacturing base with the initial capacity to process 20 aircraft on an annual basis. In addition, CALC collaborated with ARI and FL Technics, one of the leading MRO (maintenance, repair and overhaul) service providers in Europe, to establish FL ARI Aircraft Maintenance & Engineering Company Co Ltd, providing narrow-body aircraft MRO services to Asian and European clients and thereby widening the scope of CALC's full value chain services for aircraft. ARI is striving to cover the below seven areas of operation: aircraft purchasing, selling, leasing, disassembling, conversion, replacing, and MRO, which provides diversified aircraft recycling solutions. Making one step closer towards transforming to an asset-light model, CALC set up its aircraft investment vehicle, CAG, in June 2018 to invest in aircraft portfolio on lease to overseas airlines and injected 18 aircraft as underlying assets during the year under review. As CAG's asset manager, CALC provides aircraft and leasing management services for the platform.

- In the AI industry, CEL invested in Terminus from its early stages and incubated it as a key strategic enterprise. CEL Terminus has completed Series B financing of RMB1.2 billion representing the largest single round of financing among Chinese AIoT companies so far. Also, it has become a unicorn enterprise in the AIoT industry. CEL Terminus's smart solutions have entered more than 30 provinces and 84 cities, served over 10.8 million population and connected over 500,000 devices as at the end of 2018. It has achieved rapid development based on its powerful productisation of frontier technology, quick application capability and the fastest commercialisation.

- In terms of elderly care, CEL identifies Huichen Senior Care and Enjoy Twilight Years as the vehicles of the ecosystem platform. Currently, they operate 25 elderly care facilities, skilled nursing homes and elderly day care centres in total with approximately 10,000 beds under management, further expedite its nationwide development. Meanwhile, Huichen Senior Care enhanced its business integration by launching the "Everbright Peace of Mind Retirement Plan" together with Sun Life Everbright Life, jointly exploring the opportunity to establish the "Everbright Senior Healthcare" brand.

- Concurrently, CEL invested in an investment bank, CICF, in Singapore as Group's integrated service platform in the overseas to enhance the flexibility to develop its international business.

2. Proprietary investment: CEL may choose to invest or coinvest in private equity and other investment projects identified under the fund management business arm after carrying out rigorous risk assessments, elevating CEL's overall returns on investments. During the period under review, CEL invested in Kinergy, a well-known contract manufacturer in the semiconductor industry for its specialty in producing equipment, machines, sub-systems, precision tools, spare parts and components for the industry. Kinergy was successfully listed in Hong Kong on 18 July 2018. During the period under review, the Group divested its positions in China TCM and Macquarie Greater China Infrastructure Fund L.P. for a considerable profit.

   Moreover, CEL is committed to developing its structured finance business by providing structured financing and investment services to corporate clients in occasion of corporate restructuring, leveraged buyouts, capital restructuring, project construction and liquidity management. The scope of its investment includes general secured loans, mezzanine investments, and convertible replacing debts, preferred stocks, etc. With its excellent professional ability, the business unit has successfully constructed a principal capital deployment model for short-term investment, efficient divestment and high returns. During the period under review, the structured finance business recorded HK$305 million in revenue, an increase of 218% compared with the end of 2017.

3. Fund Incubator investment: With the objective to incubate fund products, CEL leverages its own financial resources to make a variety of early investments which eventually would be served as underlying assets of new fund products with the aim to attract external fund investors and to accelerate the formation of fund products. During the period under review, CEL invested in and became the largest shareholder in Lifetech Scientific, which increased the Group's allocation to the medical equipment field and paved the way for the establishment of Healthcare Fund III. Lifetech Scientific is one of China's leading cardiovascular medical equipment companies, which produces a diverse range of products to treat cardiovascular illnesses. Moreover, CEL invested in WiTricity, the world's first wireless charging company, which will serve as the cornerstone project of Everbright Haiyin Fund, to help introducing the world's first mass wireless charging company into mainland China. WiTricity's wireless charging equipment can be installed underground at comparatively low installation and management costs. The technology has been put in use by BMW on its vehicle production lines in Germany and has the potential to be applied on wirelessly charge defibrillator in the future.

4. Treasury Management: CEL's treasury makes stable interest income and is responsible for duties such as managing interest rate risk, liquidity risk and currency risk for the Group.

3. STRATEGIC INVESTMENT

Everbright Securities

As at 31 December 2018, the Group held 982 million shares in Everbright Securities Company Limited ("Everbright Securities"), accounting for approximately 21.30% of the total equity of Everbright Securities at a fair value of HK$9,714 million.

Due to the macro-economic changes and tightened financial regulations in 2018, the A-share market was volatile and caused a shrinkage of Everbright Securities' investment banking business. Together with the provisions of RMB1.4 billion by Everbright Securities for the year ended 31 December 2018 as per the announcement disclosed on 27 March 2019, therefore, the Group's share of profits from Everbright Securities decreased 93% year-on-year to HK$60 million consequently.

In May 2018, the Group sold 92 million shares, or 2.00%, of Everbright Securities, gaining HK$89 million of profit after tax. Following the disposal, the Group continues to have a 21.30% stake in Everbright Securities. The Group will continue to pool its resources together to focus on the development of its asset management and investment businesses.

China Everbright Bank

As at 31 December 2018, the Group held 1.57 billion shares in China Everbright Bank Company Limited ("Everbright Bank"), measured at a fair value of HK$6,562 million, amounting to approximately 3.00% of Everbright Bank's total equity.

Due to continuous improvement in net interest rate spread in 2018, China Everbright Bank increased its dividend payout. As a result, the Group received a pre-tax dividend payment of HK$348 million from Everbright Bank during the period under review, up 99% from 2017.

OUTLOOK

Right at the beginning of 2019, the International Monetary Fund (IMF) revised its 2019 global economic growth forecast for the second time, down to 3.5%, the lowest in the last three years. A tightened financing environment, trade uncertainty and a "hard Brexit" are all believed to be risk factors that could trigger an economic downturn. The IMF believes that global economic expansion has peaked and has cautioned against the risks of weakened global growth, which is mainly the result of rising trade tensions.

Looking ahead, the global economy is expected to continue to take divergent paths throughout 2019. The US economy has already showed signs of slowing down, with the Fed noting the need to slow the pace of rate increases. Meanwhile, in the European Union, various political issues continue to plague the economies of its member countries. As far as China is concerned, on the one hand, the economy is expected to continue to trend down in the foreseeable future, with its GDP growth predicted to drop from 6.6% in 2018 to around 6.3% in 2019, hitting a 20-year low. However, on the other hand, the government is proactively adjusting its policies on credit and finance to stimulate consumption and investment. With the increasing likelihood of the US and China reaching phased agreements on their trade row, the economy is expected to stabilize in Q2 and Q3 with various factors likely to help ease systemic risks in 2019.

Following the introduction of New Asset Management Regulations and a wave of other policies, fundraising will remain a challenge with little chance of fundamental shift for the Chinese asset management industry in the short term. However, the overall situation is still more optimistic than that of 2018. Against this backdrop, CEL believes that investors and capital will gravitate toward industry leaders, benefitting the Group. Looking ahead, CEL will actively implement its five business development strategies in 2019. First, in terms of regional exposure, the Group will increase the percentage of its foreign asset allocation and boost its USD-denominated funds, in order to maintain stable AUM growth. Second, with respect to funding structure, CEL will invest in various primary market funds through its FoFs to enhance capital operation efficiency with leveraging. Third, CEL will consistently make strategic investments that align with the country's development direction and the people's needs. Accordingly, the Group will continue to support the development of CALC's globalisation strategy and consolidate the Group's elderly care ecosystem to build its proprietary elderly care brand "Everbright Senior Healthcare". Fourth, to drive technology to the next level, CEL will fully develop CEL Terminus into a leading player in the areas of AI application, smart cities, the Internet of Things and next-generation finance, as well as helping it to forge business partnerships with other business segments under the Group. Fifth, in terms of internationalisation, CEL will leverage its existing outreach establishment, the overseas funds, to expand its international business in a professional manner.

With the mantra of delivering "The Power to Transform", CEL will work towards the goal of becoming a leading cross-border asset management and investment company in China. The Group believes that with its extensive investment and operating experience in the capital market, it will capture investment opportunities in the global market by seizing upon disruptive trends, forging ahead despite hurdles, consistently and continually innovating, and taking up chances to transform itself. This will ensure that CEL continues to deliver steady returns for its fund investors, shareholders and business partners.

FINANCIAL POSITION

As at 31 December 2018, the Group's total assets amounted to HK$77.3 billion with net assets amounted to HK$41.4 billion. Equity attributable to equity shareholders of the Company per share was HK$23.7, decreased by 1.7% compared with the end of 2017. As at 31 December 2018, the Group's interest-bearing debt ratio increased to 63% (2017: 57.8%).

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 2018, the Group had cash and bank balances of HK$6.9 billion, increased by HK$1.7 billion compared with the end of 2017. Currently, most of the Group's cash, representing 89.8%, 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 2018, the Group had banking facilities of HK$20.93 billion, of which HK$6.74 billion had not been utilised. The banking facilities were of 1 to 5 years terms. The Group had outstanding bank loan of HK$14.19 billion, increased by 18.3% compared with the end of 2017. All the outstanding bank loans were unsecured as at 31 December 2018. The Group had issued corporated bonds with outstanding principal amount of RMB10.5 billion. The interest-bearing borrowings were mainly denominated in Renminbi, representing about 51% of the total, and the remaining were mainly denominated in US and Hong Kong dollars.

PLEDGE OF ASSETS

As at 31 December 2018, 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 2018, assets deposited with the prime brokers included HK$1,215 million and HK$2 million which formed part of the Group trading securities and debtors respectively.

CONTINGENT LIABILITIES

As at 31 December 2018, 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 2018 for the provision of the guarantees related to the facilities utilised by the subsidiaries was HK$6,218 million.

EMPLOYEES

As at 31 December 2018, the Group had 359 employees. Total staff costs for the period under review amounted to approximately HK$551 million as presented 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.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.4 per share for the year ended 31 December 2018 (2017: HK$0.6 per share). Together with the interim dividend of HK$0.26 per share already paid, the aggregate dividends for the year is HK$0.66 per share (2017: HK$0.85 per share).

The final dividend, subject to shareholders' approval at the forthcoming annual general meeting, is expected to be paid on Thursday, 20 June 2019 to those shareholders whose names appear on the register of members of the Company on Tuesday, 11 June 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 17 May 2019 to Thursday, 23 May 2019, 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, 16 May 2019.

The register of members of the Company will also be closed on Monday, 10 June 2019 and Tuesday, 11 June 2019, 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, 6 June 2019.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Ball Room, Level 5, Island Shangri-la, Pacific Place, Supreme Court Road, Central, Hong Kong on Thursday, 23 May 2019 at 10:00 a.m.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company believes that upholding good corporate governance measures is important to ensuring effective internal control and protecting 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 all code provisions of the CG Code for the year ended 31 December 2018.

Details of the Company's implementation of its corporate governance practices are disclosed in the "Corporate Governance Report" and "Risk Management Report" on pages 76 to 107.

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, all 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 2018.

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

Hong Kong, 28 March 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EVERBRIGHT DRAWS ON ITS EXPERTISE AND RESOURCES TO CREATE DEEP, MEANINGFUL RELATIONSHIPS AND A SUSTAINABLE ENVIRONMENT IN COLLABORATION WITH ITS SHAREHOLDERS, BUSINESS PARTNERS, EMPLOYEES AND COMMUNITIES.

ABOUT THIS REPORT

This is the third Environment, Social and Governance (ESG) Report ("Report") of China Everbright Limited ("CEL") (Stock code: 165.HK). The Report illustrates the ESG performance of our headquarters in Hong Kong as well as our regional offices in Beijing, Shanghai, Shenzhen and Qingdao in Mainland China.

This Report was prepared with reference to the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Main Board Listing Rules of Hong Kong Stock Exchanges and Clearing Limited. This Report covers the operations of our Hong Kong headquarters and regional offices in Mainland China for the period from 1 January 2018 to 31 December 2018.

CEL has incorporated the United Nation's Sustainability Development Goals (SDGs) in our environmental and social management. The following five SDGs out of 17 are most relevant to our stakeholders:

- **3 GOOD HEALTH AND WELL-BEING** — Ensure healthy lives and promote well-being for all at all ages
- **4 QUALITY EDUCATION** — Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- **8 DECENT WORK AND ECONOMIC GROWTH** — Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- **10 REDUCED INEQUALITIES** — Reduce inequality within and among countries
- **13 CLIMATE ACTION** — Take urgent action to combat climate change and its impacts

This Report is available in English and Traditional Chinese. An electronic version of the Report can be accessed on our website www.everbright.com.

We welcome your comments and feedback on our Report and sustainability performance. Please email us at media@everbright.com.

CEL'S APPROACH TO ESG MANAGEMENT

Based in Hong Kong and with the strong support of Mainland China, CEL has ridden years of continued growth to become a leading cross-border investment and asset management platform among Chinese-funded companies. Despite the volatility of international and domestic financial markets in recent years, CEL has capitalised on a solid foundation and visionary strategies to maintain stable operations and achieve strong growth in AUM, expanding its reach overseas beyond Hong Kong and Mainland China. During this time, the Group has maximise benefits and built long-term relationships based on mutual trust with various stakeholders, including shareholders, investors, clients, business partners and employees.

CEL's environment, social and governance performance is outlined in the following chapters of the Report:

Our Clients and Collaborating Partners; Our Shareholders and Investors

In order to enhance communications and interactions with our fund investors and business partners, seven Everbright Investment Conference were held from 2012 to 2018. The conference attracted more than 3,200 attendees in total, including institutional investors and business partners from around the globe. During the reporting period, CEL participated in a number of investor forum and teleconferences, and carried out two surveys to help further define our shareholder profile. Findings of the surveys are summarised in shareholder reports for the Board's review on a regular basis. These reports allow the Board to better understand investors' opinions and suggestions regarding CEL's development strategies. In addition, the Group's management maintains close communications with shareholders at the annual general meeting.

Our Employees

Employees are CEL's most important asset. In 2018, the Group has organised 7,492 hours of training for our 359 employees. The Group was also dedicated to providing a healthy and safe working environment and promoting work-life balance to our employees. Our volunteering team encouraged employees to get involved in volunteering services to give back to the society. In 2018, our CEL volunteering team has received the 'Drive for Corporate Citizenship Volunteer Team' accolade from the Hong Kong Productivity Council for three consecutive years.

Our Community

As a CSR-committed company, CEL is devoted to charitable services. CEL has been a strong supporter of a wide range of charitable events in Hong Kong and China, covering our four main themes namely "Bright Companion", "Vitality Everbright", "Education Support", and "Art Promotions". Our contributions include: forming a close partnership with Lifeline Express to treat cataract patients in poverty-stricken areas; title sponsoring "Orbis • Everbright Moonwalkers" and becoming its "Hong Kong Corporate Partner" to raise funds to restore eyesight to patients around the world; title sponsoring Spartan Race Hong Kong to promote a healthy and self-challenging lifestyle to foster wellness in the body and soul in society; sponsoring UNICEF Charity Run to support UNICEF's work that aim to eliminate the mother-to-child transmission of HIV in developing countries; supported the founding of Dalton School Hong Kong, offering a world-class learning environment for students; title sponsoring "China Everbright Voice of The Stars Story-Telling Scheme" to help cultivate a better understanding and greater awareness of Chinese history among Hong Kong's young people; cofounding a community service programme, The Everbright Project, with Caritas Family Crises Support Centre serving the middle class; support Social Workers Across Borders in launching the "Project Companion – Professional Social Workers in Greater China Scheme" to establish and train a professional team of social workers in Mainland China; jointly launching "Everbright Teachers' Heritage Discovery Tour" with education workers to provide Hong Kong teachers the opportunity to visit heritage sites and understand new development in Mainland China, where teachers are then required to prepare a lesson plan to share their experiences with their students so as to nurture Hong Kong students' sense of belonging to our motherland; also becoming a long term partner of various local art organisations, such as Hong Kong Ballet, Hong Kong Arts Festival, Hong Kong Repertory Theatre and Opera Hong Kong, to promote the development of arts in Hong Kong. Since the establishment of the China Everbright Charitable Foundation, our charitable donations have amounted to over HK$60 million.

Our Environment

CEL understands the importance of sustainable development and environmental protection. We have been closely monitoring our greenhouse gas emissions and waste generation. CEL is dedicated to maximising the Group's operational efficiency while minimise environmental impacts through greenhouse gas management, energy conservation, waste management and recycling, material purchase and resource utilisation. In 2018, our greenhouse gas emission intensity per employee was reduced by 5% compared with the previous year.

OUR CLIENTS AND COLLABORATING PARTNERS

CEL's Macro Asset Management platform connects the thriving Mainland China and Hong Kong markets, which both possess huge potential. In recent years, the Group has also actively sought overseas investment and cooperation opportunities. In order to strengthen confidence of fund investors and business partners, the Group employs a proven mechanism in risk management, protects mutual capital and benefits, and focuses on personnel retention. CEL seeks to establish a trusting, long-term relationships with their clients and partners.

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

In the last decade, the financial sector was heavily impacted by market turbulence from the global financial crisis. The collapse of large financial institutions led to a review of fundamental thinking about the equilibrium between rapid business expansion and risk control. By leveraging its sound corporate governance and risk management system (please refer to the Corporate Governance and Risk Management Reports in our 2018 Annual Report for details), the Group has managed to achieve fast yet steady growth in notably bearish investment environment, while capturing opportunities by expanding its business horizons as markets recovered. In order to enhance communications and interactions with fund investors and business partners, the Group held its first Everbright Investment Conference in 2012, which received positive feedback from attendees as well as CEL's various business units. The conference has been held every year since then, and has taken place in Sanya, Shanghai, Xiamen, Chongqing, Qingdao, Hong Kong and Hangzhou, in that order, over the past seven years. The conference has attracted more than 3,200 attendees in total, including institutional investors and business partners from around the world. Attendees are updated on the latest developments in CEL's macro asset management platform, the Group's strategies and prospects, its fund operations, and its business developments and advantages. They also take advantage of the opportunity to explore synergistic collaborations across sectors and areas. Since the 2014 event CEL has also invited key journalists from Hong Kong and the Mainland, enabling the wider business and financial community to learn the latest news about the Group through leading media outlets.


世界经济格局重塑下的全球投资实践
Global Investment Under the Reshaping of the World's Economy
光大控股


人工智能产业化在中国
Industrialisation of AI in China

OUR SHAREHOLDERS AND INVESTORS

To enhance corporate transparency and disclosure, CEL places significant emphasis on maintaining strong communication channels with shareholders and investors. In 2018, the Group has participated in 19 investor forums and roadshows organised by CICC, CITIC, HSBC, Citibank, HTSC, and others. The Group has shed light on its strategies and performance through exchange in a sustainable, genuine, accurate and complete manner with institutional investors and analysts from across the globe. Highlights of these conferences are available under the "Investor Relations" section of the Group's website.

As of 31 December 2018, eight analyst reports on the Group have been published by three well-known institutions, and a number of research reports have been published by other institutions. The Group also summarised shareholder reports for the Board's review on a regular basis. The report is generated from the analysis of a series of investor relations work carried out through two surveys on the Group's shareholder profile throughout the year, covering shareholdings and patterns. It included external communications, investor feedback and changes in stock price, and allows the Board to better understand investors' opinions and suggestions regarding CEL's development strategies.

For the ease and convenience of investors and shareholders, CEL's website (www.everbright.com) underwent a face lift in 2017 with a compelling layout design and functionality to support its business growth and international branding. The website revamp reorganised the structure and design of the pages. A mobile version of our website has also been set up for the ease and interest of mobile phone users. Our clients and investors can communicate closely and share information with our fund management teams via the login function for funds on the website. In 2015, CEL also launched its WeChat public account (WeChat ID: chinaeverbright), providing another convenient and diversified information channel for stakeholders and the public.

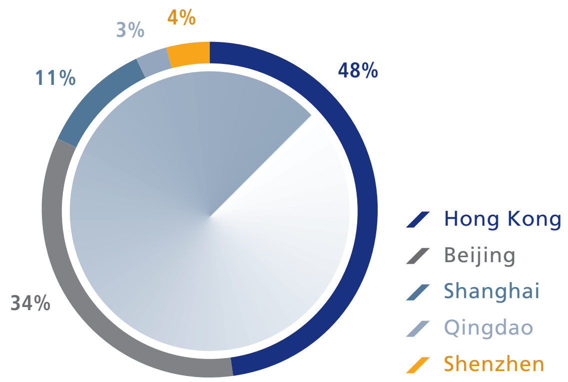
In addition, the Group's management maintains close communications with shareholders at the annual general meeting. The Group also holds press conferences and analyst briefings twice a year, after its interim and annual results are published. These presentations are recorded and made available as webcasts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

OUR EMPLOYEES

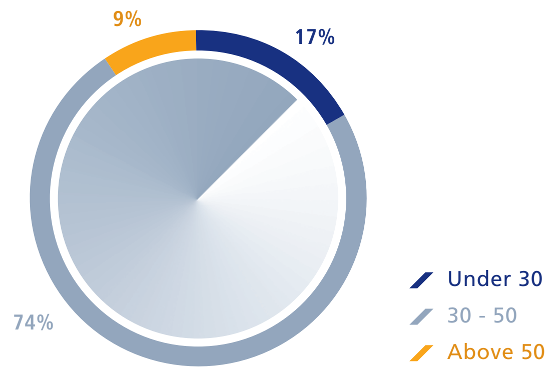
The Group sees its employees as partners and its most important asset. The Group recruits top-notch talent from the financial sector and builds its distinguished management team in accordance with the principle, "Create Value to Share Value". Employees are able to share the fruits of the Group's success, through creating economic value and enhancing work efficiency. We have a Staff Handbook in place to protect our employees from any form of discrimination due to gender, disability, family status, marital status, race, and so on, and against any related harassment and slander. In order to provide a safe working environment and prevent occupational accidents, our Occupational Safety and Health Policy has a list of safety measures for employees to follow. For instance, we encourage new employees to participate in fire drill conducted by the building's management office annually and maintain a fire drill attendance record to track the employee's awareness on safety. In addition, we conduct safety audit in the office to ensure the safety of the working environment and check that all escape routes are free from obstruction.

The Group is dedicated to promote equality in the workplace and has employed staff from different age groups. As of 31 December 2018, the Group had 359 employees, all of which were employed on a full-time and permanent basis. The ratio of male to female staff was 1.1:1.

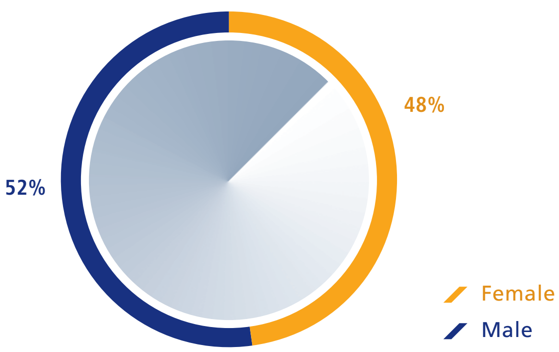
BY LOCATION



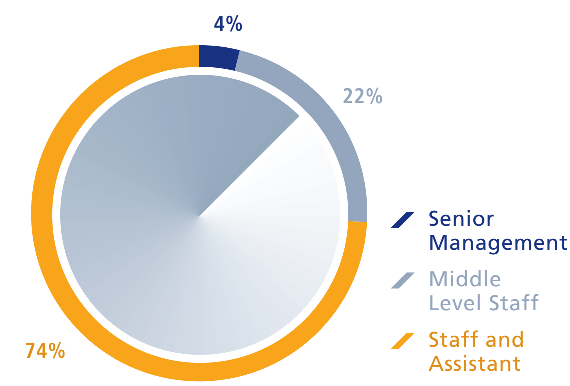
BY AGE GROUP



BY GENDER



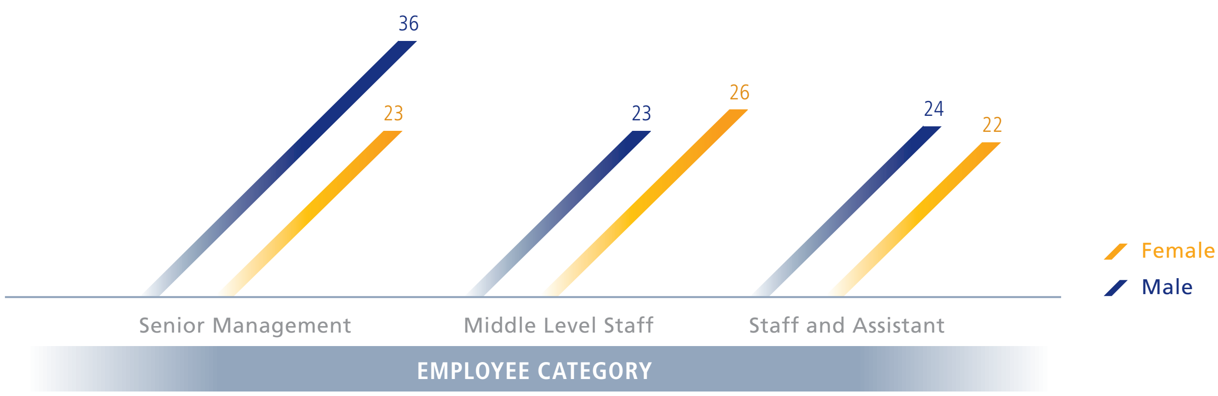
BY EMPLOYEE CATEGORY



Employee Training and Development

According to the Group's Training and Development Policy, all new joiners have an annual 30-hour training target, while existing employees' target is 20 hours. In order to further standardise employee development programmes, the Group has developed a training system, that sets an annual training target hour according to the years of service of the employee, and takes it into consideration during appraisals. This encourages employees' involvement in both internal and external training activities, boosting their personal skill sets to align with the Group's development strategies, and thus increasing the Group's competitiveness in the industry. During the reporting period, our employees have undergone 7,492 hours of training, including 25 internal training sessions, covering topics such as business ethics, anti-money laundering, taxation, risks, macroeconomic trends, soft skills, online courses, personal wellness and others. All employees received training during the reporting period. To extend our care to our employees, the Group has rolled out a series of personal wellness courses in 2018, including setting up an Employee Assistance Programme (EAP) where specialists are invited to provide assistance and consultation to our employees and their families.

2018 AVERAGE TRAINING HOURS (Hours)



The Group also arranges exchange visits every year for employees in Hong Kong and the Mainland to enrich their experiences and exchange views. The Group has been arranging exchange tours between Hong Kong and Mainland China since 2013, allowing employees across regions to enrich their knowledge of our business operations in Mainland China and foster closer collaboration and communication between our teams. In line with its growing overseas activities, the Group has organised overseas training for outstanding employees.

New hires receive a clear overview of the Group through online orientation training sessions on human resources, brand culture and compliance. The Group also arranges meetings to facilitate conversation between senior management and new hires, which not only enables better understanding of employees and their views, but also enhances contact and interaction. General new hires are automatically enrolled into our mentor-mentee programme, which provides timely support and guidance in adapting to our corporate culture and working environment.

The Group's Staff Handbook has laid out key information on employee management, remuneration, welfare, attendance policy, working hours, leave, equal opportunity, anti-discrimination, code of conduct, and so on. In addition to the Staff Handbook, all employees must strictly follow the Group's Anti-Money Laundering Policy and Whistleblowing Policy, which prescribe the relevant laws and their implementation, as well as related audit procedures, regular training, and prevention of corruption, blackmail, fraud and money laundering.

COMMUNICATION AND CONNECTION

The Group puts considerable effort into maintaining productive information exchange and interaction with its employees via various means of communication. The Group uses an internal email system, "Partner Express", as its platform for publishing company news and real-time information. Institutional investors and media receive relevant content in the form of presentations and press releases. The "Partner", CEL's bimonthly electronic periodical, integrates key business information, branding development and snapshots of employee life together in one handy publication, which is disseminated through online media to keep colleagues in the Mainland and Hong Kong in close contact. The Group also publishes hard copies of the "Partner" by consolidating all the copies of the year into a single book, to accommodate employees' reading habits. In order to offer greater convenience to employees and improve work efficiency, CEL has developed an online collaborative Office Automation Platform with comprehensive functions and mobile apps, allowing employees to access company information and conduct administrative work from anywhere, whether they are in or out of the office.

VOLUNTEERING SERVICES

In 2012, CEL set up a volunteer team to encourage employees to contribute to society by participating in charitable initiatives. This programme also serves to further enhance camaraderie among employees. Over the past few years, CEL's volunteer team has visited nursing homes, special child-care centres and schools, as well as sheltered workshops. The team has also prepared meals for the elderly with Food Angel, joined garden maintenance activity at a historical monument, hosted mural painting in schools and took part in outreach activities. The team has also participated in the "Sowers Action Challenging – Charity Hiking" for four consecutive years. A parent-child visit to Shangdong, Heilongjiang, Guiyang, Jilin and Xinjiang at the eye-train hospital by Lifeline Express were also among the many volunteering services we participated in, which are strongly supported by our colleagues. In 2018, CEL invited district councillors from the Sham Shui Po and Central-Western Districts to take part in volunteering services with a view to get first-hand experience with the living standards of families and secondary school students with limited caring support, and raise awareness and improve living standards with the assistance of the councillors.

CEL's volunteer team has been awarded the "Drive for Corporate Citizenship Volunteer Team" accolade from Hong Kong Productivity Council for the past three consecutive years starting 2016.

WORK-LIFE BALANCE

In the past few years, the Group has built a closer partnership with employees through various initiatives, including timely information sharing, diverse activities, staff welfare programmes and incentives. These efforts have also resulted in meaningful contributions to the Group's business success in terms of retaining and recruiting the best talent.

The Group puts great care in employees' work-life balance by providing various kinds of training and events, such as an "Escape Room" activity, "Moon Light" crafting workshop and CNY New Year Family Day, cultural activities such as discounted tickets to ballet performances, recreation activities such as orienteering competitions, sports activities such as industry basketball league enrolment and so on. These are designed to meet the range of different interests of our employees.

AWARDS

In recognition of the Group and China Everbright Charitable Foundation's work, CEL has been awarded a "Caring Company" and "Caring Organisation" for seven consecutive years since 2011, acknowledging the Group's efforts and involvement in corporate social responsibility.

For four consecutive years since 2015, the Hong Kong Productivity Council and the Promoting Happiness Index Foundation have jointly awarded a "Happy Company" label to CEL in recognition of its commitment to build a caring corporate culture and recognising employees' quality of life. This was evidenced by the Group's conscientious efforts to create a pleasant working environment for employees. In addition, CEL has been awarded its second consecutive years as a "Manpower Developer" for outstanding achievement in the Employees Retraining Board Manpower Developer Award Scheme which recognised the Group's effort in talent development. CEL was also named as Family-Friendly Employers and has received Special Mention 2017/18 from the Home Affairs Bureau and the Family Council for two consecutive years, the company's efforts praised in their promotion of core-values relating to a healthy work-life balance for their employees.

OUR COMMUNITY

Giving back to society is an important part of CEL's CSR efforts. While we develop our business, we strive to use our expertise and resources to maximise the benefits of stakeholders, and establish long-term, trusting partnerships with them in accordance with our "CSR Policy". We divide our stakeholders into four groups and actively give back to the society through different aspects. As a company committed to corporate social responsibility, CEL is a strong supporter of disaster and poverty relief. The Group also contributes long-term support to many social service projects, most of which are unique, sustainable in nature, and benefit those who are often overlooked in society and given limited resources and support.

In 2008, CEL established the China Everbright Charitable Foundation (CECF), a charitable organisation recognised by the Hong Kong Government. CEL has been a strong supporter of a wide range of charitable events since the establishment of the foundation, covering our four main themes "Bright Companion", "Vitality Everbright", "Education Support", and "Art Promotions". Our contributions include: forming a close partnership with Lifeline Express to treat cataract patients in poverty-stricken areas; title sponsoring "Orbis • Everbright Moonwalkers" and becoming its "Hong Kong Corporate Partner" to raise funds to restore eyesight to patients around the world; title sponsoring Spartan Race Hong Kong to promote a healthy and self-challenging lifestyle to foster wellness in the body and soul in society; supporting the founding of Dalton School Hong Kong, offering a world-class learning environment for students; title sponsoring the "China Everbright Voice of The Stars Story-Telling Scheme" to help cultivate a better understanding and greater awareness of Chinese history among Hong Kong's young people; forming partnership with Caritas Family Crises Support Centre to launch the Everbright Project that serves the middle class; supporting Social Workers Across Borders to launch the "Project Companion • Professional Social Workers Greater China Scheme" to train up social workers in China; jointly launching "Everbright Teachers' Heritage Discovery Tour" with education workers to provide Hong Kong teachers the opportunity to visit heritage sites and understand new development in Mainland China, and then required to prepare a lesson plan to share their experiences with their students so as to nurture Hong Kong students' sense of belonging to our motherland; and also becoming a long term partner of various art organisations in Hong Kong, including Hong Kong Ballet, Hong Kong Arts Festival, Hong Kong Repertory Theatre and Opera Hong Kong to promote the development of arts in Hong Kong.

Bright Companion

CEL's Chinese and English name of "Everbright" symbolises the company's vividness and optimism, in line with our aim to create a bright future and support to the needy through our actions. In recent years, CEL has supported sight-saving campaigns of "Lifeline Express" and "Orbis", hoping to restore eyesight to the visually impaired around the world.

"Lifeline Express": A mobile eye-train hospital providing free surgical operations for cataract patients in remote, poverty-stricken areas in the Mainland

Over the past couple of years, CEL has formed a close partnership with Lifeline Express, becoming one of the largest funding sources helping the charity treat cataract patients in poverty-stricken areas in the Mainland. CEL has served as a sponsor of Lifeline Express' annual fundraising dinner for seven consecutive years. It has made substantial donations in support of the Lifeline Express Charity Golf Day fund raising events and the Group's CEO,

Mr. Chen Shuang, has participated in the charity concert. Starting from 2014, the Group, together with Lifeline Express, has arranged for a parent-child group to visit the eye-train hospital and cataract patients for five consecutive years in Shandong, Heilongjian, Guizhou, Jilin and Xinjiang, providing help for paramedics and bringing love to patients. In 2016, with support from CEL, Lifeline Express has travelled outside of China for the first time to Sri Lanka, providing treatments to the blind. In 2018, CEL continued supporting Lifeline Express as part of our initiative in aligning our business development with the "Belt and Road" Policy. Our support has extended to charity involvement and the civilisation development in the region.

"Orbis": International sight-saving organisation

CEL partnered with Orbis, the world's largest sight-saving organisation across the globe, for the first time in 2017 as the title sponsor of their annual flagship fund-raising event "Moonwalkers". This event gives participants a chance to experience the joy of restored vision by experiencing the loss of eyesight through a walk from dark to light, symbolising the blind being able to walk out of darkness. In 2018, CEL became Orbis' "Hong Kong Corporate Partner" to support its sight-saving campaigns across the globe, and to help restore the eyesight of cataract patients.

orbis 奥比斯 救盲伙伴 2018-19 Corporate Partner

Vitality Everbright

CEL has an energetic corporate image thanks to our staff and management's enthusiasm for sports. Through participating in various running/walkathon events, CEL has made substantial donations to a number of charitable organisations.

Spartan Race Hong Kong

In 2018, CEL title sponsored "Spartan Race Hong Kong". Spartan was first organised in 2007 in USA, and the event has since then expanded to 30 countries and 240 races around the world in 12 years. It was launched in Hong Kong in 2016 and became a signature event for elites in two years' time. The event was welcomed by financial institutions and HSBC, ICBC, UBS, BNP Paribas, and Barclays participated in the event to show team spirit.

As a highly popular and challenging obstacle race, the event received an overwhelming response and attracted more than 13,000 racers joining the competition in April and November. With perseverance and grit, racers took part in a tough 6km course featuring 20 obstacles. Spartan Race not only tests physical strength, willpower and endurance of its participants, but also promotes a healthy and self-challenging lifestyle to foster wellness in the body and soul in society.

Oxfam Trailwalker

For the third consecutive year, the Group's CEO, Mr. Chen Shuang, led a team for the Oxfam Trailwalker, Hong Kong's largest fund-raising hiking activity. The team managed to complete a 100 km hiking trail in 28 hours and 54 minutes and raised more than HK$200,000. This year, the Group's CEO, Mr. Chen Shuang, was invited by the Chairman of the Oxfam Trailwalker Advisory Committee, Mr. Bernard Chan, to participate in the "Leader Walk". The event was available to only 20 or so invited business leaders, including Vice President of the Fok Ying Tung Group, Mr. Fok Kai Kong, and the CEO of AIA Hong Kong and Macau, Mr. Peter Crewe, among other notable persons.

UNICEF Charity Run

The Group has participated in the "UNICEF Charity Run" for three consecutive years. This year, our CEO, Mr. Chen Shuang, together with four of our colleagues, ranked in eighth place in the 21km half marathon enterprise relay race competing with over 30 corporate teams. In addition, approximately 30 employees and their families participated in the 10km race and the 3km family run. Through participating and sponsoring this charity event, CEL supports UNICEF in their work to prevent the transmission of HIV in developing countries.

Education Support

Since the establishment of CECF, the Group has supported various community projects relating to education, childcare and young people. By promoting a range of social work, we are contributing to the fostering of the next generation.

Dalton School Hong Kong: A top-notch teaching team, boasting a world-class learning environment for children

After years of preparation and support from CECF, Dalton School Hong Kong (DSHK) was officially opened in mid-August 2017. DSHK is a new non-profit, bilingual primary school that has both Mandarin and English as its language of instruction. What sets DSHK apart from other schools is its unique child-centred program based on the world-renowned Dalton plan, along with its partnership with the esteemed Tsinghua University Primary School to provide a strong emphasis on Chinese language, culture and values. Establishing an international school not only meets its extraordinary demand, but also combines Chinese traditional education with international teaching methods, and enhances Hong Kong students' awareness of Chinese culture and history. In 2018, our CEO, Board of Director of Dalton Foundation as well as the Chairman of the fundraising Committee, Mr. Chen Shuang, has fully supported the fundraising work of the foundation and has sponsored "Little Basel" which aims to contribute to the development of arts in Hong Kong by creating an unique art exhibition that serves as an educational and interactive platform for students to learn.

"China Everbright Voice of the Stars Story-Telling Scheme": A project to promote understanding and greater awareness of Chinese History among the young generation in Hong Kong

To help cultivate a better understanding and greater awareness of Chinese history among the younger generation in Hong Kong, CEL launched the "China Everbright Voice of The Stars Story-Telling Scheme" in 2016. Title-sponsored by CEL, the project is run by Endeavour Education Centre Limited with a mission to provide opportunities for local youths to learn more about China's history and culture, and acquire a more solid understanding of the country's development. Through different avenues and platforms, and by organising a diverse range of activities, the project aims to help the younger generation develop a historical perspective and sense of belonging to China, as well as cultivate a positive attitude towards learning so that youths will contribute to the future development of Hong Kong and China.

The project invited celebrities, radio DJs and famous community members to make audio recordings on different topics for the Chinese History for Children series. These audiobooks were distributed as gifts to all primary and secondary schools in Hong Kong. The books are intended to engage students with interesting stories and cultural anecdotes from China's past. In addition, the project also broadcasts stories on Endeavour Education Centre's website. On top of that, there is an online quiz with prizes to generate interest among students and their parents in reading these books together – an activity that will promote closer family ties and enhance their understanding of Chinese history.

Art Promotions

Throughout the years, CEL has promoted local art development by supporting various local art organisations in Hong Kong, promoting widespread interest among the general public for the refinement and elegance of arts.

Hong Kong Ballet

Since 2015, CEL has been title sponsoring classical productions of Hong Kong Ballet including "Nutcracker", "Swan Lake" and "Don Quixote", as well as their "Mixed Bill" programme in Mainland. In 2018, CEL title sponsored "Giselle" and the 1st Annual International Gala of Stars. Through donations to Hong Kong Ballet's "Accessibility Fund", the Group offered free tickets to underprivileged families in the New Territories to enjoy ballet performances for the third year running.

Hong Kong Arts Festival

In March 2018, CEL title sponsored the "Asian Premiere of Bosch Dreams", a co-production by Les 7 Doigts de la Main and Theatre Republique in the 46th Hong Kong Arts Festival, which was a presentation of a remarkable international performance to audience in Hong Kong.

Hong Kong Repertory Theatre

In August 2018, China Everbright Limited title sponsored a highlighted drama production by Hong Kong Repertory Theatre – "Hu Xueyan, My Dear" that toured both Hong Kong and Mainland China. As a leading cross-border investment and asset management company in Hong Kong and Mainland China, CEL, serves as a bridge to bring the excellence of Hong Kong drama to Mainland audience promoting Hong Kong culture while also fostering connections and development of arts and culture between Hong Kong and Mainland China.

Other Community Projects and Donations

Over the past few years, CEL has supported disaster relief efforts following the Sichuan and Qinghai earthquakes, and also aiding victims of the typhoons in Taiwan, and people living in impoverished areas in the Mainland. The Group has also helped the Central Conservatory of Hong Kong Foundation and the Jackie Chan Charitable Foundation in organising fundraising events. In 2018, the Group has supported numerous community projects relating to childcare and teenagers, including the sponsoring "Yo Dancical" party by Youth Outreach for the fourth consecutive year, an organisation that is committed to turning at-risk teenagers into positive teenagers; funding the "Daddy Daughter Ball" hosted by The Child Development Centre to help children with special educational needs in Hong Kong for the fourth consecutive year; sponsoring the "Teach for China Gala" to raise funds in support of education for poor children in China; becoming one of the supporting orgainisations for Our Hong Kong Foundation to promote the development of Hong Kong's economy, technology and innovation, culture, and so on. Since its establishment, CECF's donations to all these charitable activities have exceeded HK$60 million.

Contributing to Socioeconomic and Cultural Activities

The Group is involved in promoting socioeconomic and cultural activities through its knowledge and influence in the financial sector. Our CEO, Mr. Chen Shuang, holds a number of honourable positions in society, including Honorary Chairman of the Chinese Financial Association of Hong Kong that promotes exchanges and communications between Hong Kong and Mainland's financial industry and strengthens cooperation with relevant institutions, and contributes to the reform and development of the financial industry in Hong Kong and Mainland. Regarding the Chinese Financial Association of Hong Kong, Mr. Chen was involved in the reorganisation of the association, recruitment of members and formation of a membership system. Mr. Chen is also the Vice Chairman of the Chinese Securities Association of Hong Kong, where he safeguards the common interests of Chinese-funded securities and related companies, creates a conducive business environment, and contributes to the stability and prosperity of Hong Kong's economy. In addition, as the Vice-chairman of China Mergers and Acquisitions Association, Mr. Chen not only ensured the establishment of the Hong Kong branch, but also promoted the standardisation and maturity of the Chinese mergers and acquisitions market; his work also promotes the deep integration of industrial capital and financial capital, and the globalisation of Chinese enterprises. Moreover, Mr. Chen is the Standing Committee Member of the Centre for China and Globalisation committed to the study in China's globalisation strategy, global governance, talent internationalisation and corporate internationalisation. Mr. Chen Shuang has also served as a non-official member of the Financial Services Development Council of Hong Kong (FSDC), where he has made many practical recommendations to the Hong Kong Government in relation to the globalisation of the Renminbi and development of the Hong Kong financial market. In 2017, in order to promote the development of the aircraft leasing and aviation financing industry in Hong Kong, Mr. Chen served as the Chairman of Hong Kong Aircraft Leasing and Aviation Finance Association, and proposed practical recommendations on taxation to the Hong Kong Government in facilitating Hong Kong's development towards an aviation and financial centre.

Furthermore, Mr. Chen currently serves as the Counsellor of Our Hong Kong Foundation in supporting the Hong Kong Government's large-scale events and policy researches which aim to foster social cohesion, economic prosperity and development of sustainability. He is also a Member of the Strategic Committee of France China Foundation. CEL, as a Master Member of the Strategic Committee of France China Foundation, has strengthened communication and cooperation between China and France by supporting various activities. Mr. Chen is also a Visiting Professor of East China University of Political Science and Law and has played a significant role in promoting education and cultivating talents.

In 2017, Mr. Chen Shuang was appointed as a non-official JP by the HKSAR Government for his contribution in the financial industry and the society.

OUR ENVIRONMENT

CEL understands the importance of sustainable development and environmental protection, and has been investing in environmental protection and renewable energy enterprises since 2006, including Goldwind Science and Technology Co., Ltd, CECEP Wind Power Corporation Co., Limited, Beijing Jingneng Clean Energy Co., Limited, Chongqing Taike Environmental Protection Technology Co., Guodian Northeast China Environmental Protection Industry Group Co.,Ltd., Zhejiang Wangneng Environment Co., Ltd, Beijing JeeGreen Technology Co., Ltd, Anhui Yuanchen Environmental Protection Polytron Technologies Inc., Shenyang Shengyuan Water Affairs Co., Ltd, Dalian Wastewater Treatment Project, among others. The group also supports the overall development of the environmental protection sector.

In our offices, CEL has identified energy and paper usage, and waste generations as its key environmental impact. Therefore, the Group has instituted various environmental protection policies, aiming to minimise its environment impact while sustaining its operational efficiency at the same time.

Energy Conservation

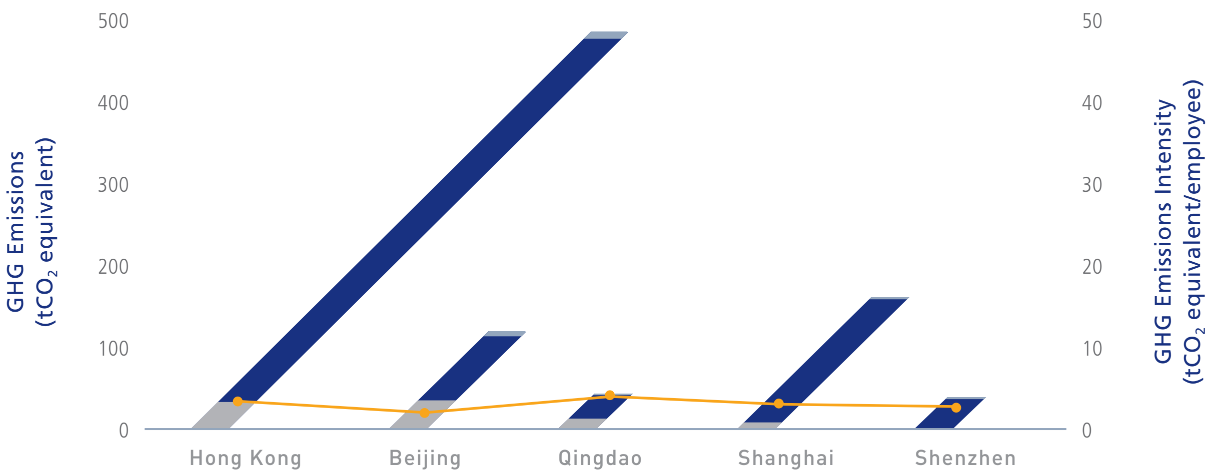
Energy consumption is a major cause of environmental destruction. CEL has initiated different measures to reduce energy usage. In order to cultivate awareness of environmental protection among employees, the Group's "Green Office and Sustainable Procurement Policy" has a strict requirement on employees' conduct, so as to reduce energy use in day-to-day operations. Employees are encouraged to conserve energy by turning off their computers and monitors after working hours. Our printers are switched into energy-saving mode automatically when not in use to reduce energy usage. Notices on switching off computers and monitors before leaving the office are sent out to all employees before long holidays. In 2018, our electricity consumption intensity and fuel consumption intensity was reduced by 7% and 2% respectively.

	DIRECT ENERGY CONSUMPTION	DIRECT ENERGY CONSUMPTION INTENSITY
Electricity	993,067 kWh	2,766 kWh/employee
Fuel	27,347 L	76 L/employee

Greenhouse Gas Emissions and Management

Effective management of greenhouse gas (GHG) emissions is one of the pressing topics in environmental protection. Our GHG emissions are calculated according to "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong (2010 Edition)"[1] compiled by the Electrical and Mechanical Services Department and the Environmental Protection Department. The emission intensity is used as a reference for the Group in monitoring future GHG emission performance. Our overall GHG emissions intensity in 2018 has been reduced by 5% compared to the previous year, at 2.4 tCO_2 equivalent/employee.

GHG EMISSIONS IN 2018



	Hong Kong	Beijing	Qingdao	Shanghai	Shenzhen
Other Indirect GHG Emissions (Scope 3)	3.0	4.5	0.6	2.9	3.6
Energy Indirect GHG Emissions (Scope 2)	455.4	91.1	28.3	150.9	35.4
Direct GHG Emissions (Scope 1)	25.8	26.5	12.4	9.4	0.0
Intensity	2.8	1.0	4.1	4.0	2.6

Waste Management and Recycling

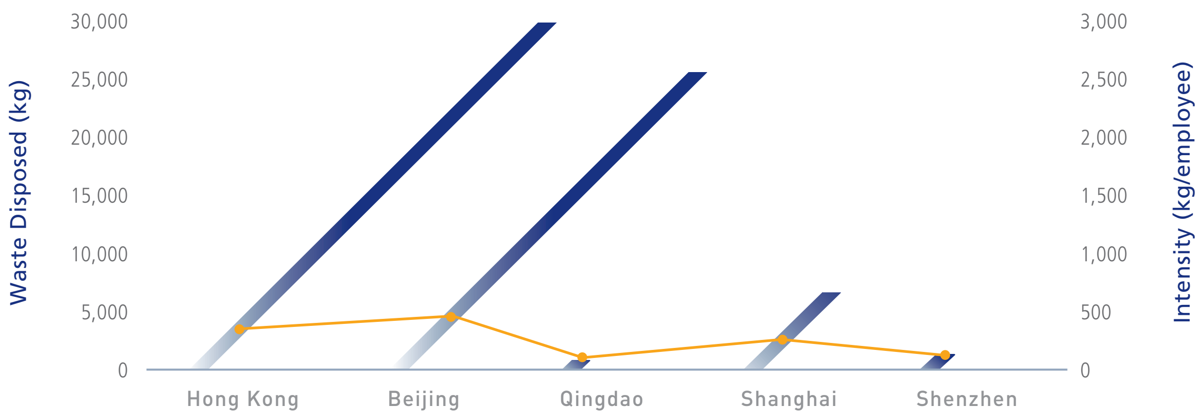
Waste is generated mainly from office operations. Cultivating a habit of recycling among employees is key in our environmental protection initiative. A recycling box for paper is placed next to every printers to make paper cycling easier for all employees. Employees are also encouraged to recycle toner cartridges. The waste collection service is provided by the building's management and disposed of designated waste collectors.

During the reporting period, we recycled 3,217 kg of paper and 93 cartridges[2].

[1] GHG calculation includes: direct fuel consumption (scope 1), electricity consumption (scope 2), paper and drinking water (scope 3); Emissions factors for electricity purchased is referenced to the latest information released by Hong Kong Electric and "Average CO_2 Emission Factor of Regional Grids of China in 2011 and 2012"released by National Development and Reform Commission.

[2] Includes Hong Kong and Qingdao Offices.

WASTE DISPOSAL IN 2018



	Hong Kong	Beijing	Qingdao	Shanghai	Shenzhen
Waste Disposal	29,520	25,100	383	6,204	632
Intensity	171.6	207.4	38.3	151.3	42.1

Material Use

In order to lessen the burden on our environment, CEL pays special attention when sourcing materials. As printing paper ranks at the top out of our material consumption, the Group has a strict requirement in choosing printing paper. According to the Group's "Green Office and Sustainable Procurement Policy", both Hong Kong and the Mainland offices are required to use Forest Stewardship Council (FSC)-certified paper from responsible forest resources that discourage deforestation. Paper publications such as CEL's annual report and our business cards and envelopes are also printed on FSC-certified paper. When purchasing office equipment, the Group opts for printers with energy conservation functions and energy-saving lighting such as LED lights.

To reduce our impact on the environment in our supply chain, the Group chooses environmentally responsible suppliers in accordance with the "Green Office and Sustainable Procurement Policy". Our printing paper suppliers are ISO 14001 certified, proven to possess an effective environmental management system.

Resource Utilisation

Reducing wastage is one of the Group's operational principles. Efforts have been made in different aspects to conserve resources and reduce waste generation. The Group's online collaborative Office Automation Platform and mobile app now covers various procedures for daily administration, management and approval, which has enabled the paperless office concept. Last year, the Board of Directors and Board of Committees have implemented "paperless meetings" to support environmental protection. In addition, the default printing modes for new hires are set to black-and-white and employees are also encouraged to make photocopies with scrap paper.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENT INDEX

China Everbright Limited's 2018 Environmental, Social and Governance Report is prepared with reference to the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Main Board Listing Rules of Hong Kong Stock Exchanges and Clearing Limited. The following table provides an overview on the Subject Areas, Aspects and their General Disclosures, as well as the Key Performance Indicators (KPI), which are either referred to the relevant chapters of the Report or supplemented with additional information.

KPIs	DESCRIPTION	CROSS-REFERENCE/REMARKS
Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws or regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	We do not hold any relevant policy as our operations do not cause significant impact on the air, greenhouse gas emissions, discharges into water and land, and generation of hazardous waste. There are no relevant laws or regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
KPI A1.1	The types of emissions and respective emissions data.	We do not generate significant emissions in our office operations.
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment (Page 65)
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	We do not generate any hazardous waste in our office operations.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment (Page 65)
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Our Environment (Page 65)
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Our Environment (Page 65) We do not generate any hazardous waste in our office operations.

KPIs	DESCRIPTION	CROSS-REFERENCE/REMARKS
Environmental		
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw material.	Our Environment (Page 65) Our water supply in offices and washrooms are provided by the building's management. Therefore, we do not have policy on the efficient use of water as it is beyond our control.
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Our Environment (Page 65)
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	As the property management could not provide the water consumption figure for the Group's offices, the total water consumption and intensity could not be estimated. However, in 2018, we purchased 12,000 L of bottled drinking water.
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Our Environment (Page 65)
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Our offices' water is managed by property management. We did not find any issue in water sourcing. Measures to improve water efficiency (e.g. installation of appliances with low water consumption) would need to be planned and implemented by the property management. Thus, we are not in the position to plan for improving water efficiency.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	We do not generate any packaging material in our office operations.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Our office operations will not cause any significant impact on the environment and natural resources.
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our office operations will not cause any significant impact on the environment and natural resources.

KPIs	DESCRIPTION	CROSS-REFERENCE/REMARKS
Social		
Employment and Labour Practice		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our Employees (Page 53) There are no relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Our Employees (Page 53)
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	The Group's turnover rate in 2018 (as of 31 December 2018): By gender: Male: 16.0% Female: 13.0% By age: Under 30: 22.9% Between 30 to 50: 12.8% Above 50: 10.5% By location: Hong Kong: 13.6% Mainland China: 15.5%

KPIs	DESCRIPTION	CROSS-REFERENCE/REMARKS
Social		
Employment and Labour Practice		
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our Employees (Page 53) There are no relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.
KPI B2.1	Number and rate of work-related fatalities.	There were no cases of work-related fatalities during the reporting period.
KPI B2.2	Lost days due to work injury.	There was a total number of five days lost due to work-related injury during the reporting period.
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Our Employees (Page 53)
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our Employees (Page 53)
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Our Employees (Page 53)
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our Employees (Page 53)

KPIs	DESCRIPTION	CROSS-REFERENCE/REMARKS
Social		
Employment and Labour Practice		
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Our Employees (Page 53) There are no relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour. Our operations do not involve any deployment of child or forced labour. Therefore, the Group did not formulate relevant policies.
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	The Group regularly reviews its employment practice to ensure that we are in compliance with the Employment Ordinance of Hong Kong, Labour Law of the PRC, and other laws and regulations related to child and forced labour.
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	The Group has zero tolerance towards such practice. Violations are subject to internal disciplinary actions or handled by relevant authorities.
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	Our Environment (Page 65)
KPI B5.1	Number of suppliers by geographical region.	Not applicable
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Not applicable

KPIs	DESCRIPTION	CROSS-REFERENCE/REMARKS
Social		
Operating Practices		
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	The Group has not identified material concerns in its operations regarding health and safety, advertising, labelling and privacy matters relating to its services provided, thus a dedicated policy is not in place. Nevertheless, the Group strives to safeguard client assets, protect the interests of all stakeholders and at the same time meet our statutory responsibility as a Hong Kong listed company and parent of a number of regulated entities. There are no relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Not applicable
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not applicable
KPI B6.4	Description of quality assurance process and recall procedures.	Not applicable
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Please refer to General Disclosure.

KPIs	DESCRIPTION	CROSS-REFERENCE/REMARKS
Social		
Operating Practices		
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Our Employees (Page 53) In order to promote a healthy development of the socialist market economy, encourage and protect fair competition, prohibit unfair competition, and protect the legitimate rights of operators and consumers, China has implemented the "Anti-Unfair Competition Law of the People's Republic of China", and Hong Kong has revised the "Prevention of Bribery Ordinance" to prevent bribery or other related matters. These laws and regulations are of paramount importance to the Group's investment and asset management activities. We established the "Code of Conduct" in accordance with China's "Anti-Unfair Competition Law of the People's Republic of China" and Hong Kong's "Prevention of Bribery Ordinance". The Group believes that honesty, integrity and fairness are important values in business activities. Employees must be responsible for their actions. There were no cases of non-compliance during the reporting period.
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	There were no legal cases regarding corrupt practices during the reporting period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Please refer to General Disclosure, Our Employees, and the Corporate Governance section of our 2018 Annual Report.

KPIs	DESCRIPTION	CROSS-REFERENCE/REMARKS
Social		
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Our Community (Page 58)
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Our Community (Page 58)
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Our Community (Page 58)

CORPORATE GOVERNANCE REPORT

THROUGH COMPREHENSIVE CORPORATE GOVERNANCE AND RISK MANAGEMENT, EVERBRIGHT IS LAYING A SOLID FOUNDATION FOR ITS SUSTAINABLE DEVELOPMENT.

GOVERNANCE PRINCIPLES AND STRUCTURE

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

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

The Company's board of directors (the "Board") would like to confirm that, following careful examination and review, the Company has complied with all code provisions of the Code for the year ended 31 December 2018.

BOARD

Composition of the Board

The Company is led by the Board that is effective and of quality. The Board acts honestly and fiducially and makes decisions objectively for the best interests of the Company, so as to bring maximum value to the shareholders in the long term and practically fulfill its obligations to the stakeholders of the Company. The Board comprises a balanced portfolio of Executive Directors and Non-executive Directors, including Independent Non-executive Directors ("INEDs"). As at the date of this report, the Board has 8 members including:

NAME OF DIRECTORS	TITLE
Executive Directors	
Dr. Cai Yunge	Chairman
Mr. Chen Shuang	Chief Executive Officer
Mr. Tang Chi Chun, Richard	Chief Financial Officer
Mr. Zhang Mingao	Chief Investment Officer
Mr. Yin Lianchen	Chief Investment Officer
Independent Non-executive Directors	
Dr. Lin Zhijun	
Dr. Chung Shui Ming, Timpson	
Mr. Law Cheuk Kin, Stephen (Note 1)	

Notes:

1 Mr. Law Cheuk Kin, Stephen was appointed as an INED with effect from 17 May 2018.

2 Mr. Tang Shuangning resigned as a Non-executive Director with effect from 16 March 2018.

3 Mr. Seto Gin Chung, John resigned as an INED with effect from 17 May 2018.

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

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

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

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

All the existing directors (including INEDs) have been appointed through formal service contracts or letters of appointment setting out the key terms and conditions of their appointment.

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

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

Board Diversity

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

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

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

Under the current Board combination, all directors possess extensive experience in financial industry and management. In addition, not less than one-third of them are INEDs, of whom some are experts in strategic development, financial and/or risk management. Biographical details of the professional experience, skills and knowledge of the directors are available in "Directors and Senior Management" section on pages 122 to 126.

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

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

Role of Independent Non-executive Directors

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

Directors' Liability Insurance

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

Responsibilities of the Board

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

- approves CEL's long term strategy and monitors the implementation thereof;
- monitors and controls CEL's operations and financial performance through reviewing and approving its annual business plan and financial budget, and ensures CEL has adequate resources, staff qualification and experience in accounting, financial reporting and internal audit functions;
- ensures timely and accurate disclosure to and communication with stakeholders;
- approves the annual and interim results to ensure the integrity of CEL's accounting and financial reporting system and compliance with the relevant laws and standards;
- reviews and monitors risk management and internal control of CEL to ensure that an appropriate internal control system are in place, including systems for risk management, financial and operational control;
- monitors the effectiveness of CEL's practices in corporate governance and corporate social responsibility, ensuring good corporate governance and compliance; and
- monitors the performance of the Management.

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

Corporate Governance Functions

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

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

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

- Terms of Reference of the Board;
- Mandate;
- Risk Management Policy;
- Dividend Policy;
- Nomination Policy;
- Corporate Governance Report;
- Internal Control Report;
- Risk Management Report; and
- Environmental, Social and Governance Report.

Division of Responsibilities between the Chairman and the Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are held by Dr. Cai Yunge and Mr. Chen Shuang respectively. Their roles are distinct and are clearly established and stipulated in their terms of reference. The Chairman leads the Board in order to ensure that the Board discharges its formal responsibilities and conforms to good corporate governance practices and procedures. Besides, as the Chairman of the Board, he is also responsible for making sure that all directors are properly informed of important issues which the Company is focusing on and that all directors receive accurate, timely and clear information. The Chairman also leads the Board in formulating business objectives and their related strategies. He is also responsible for organising the business of the Board, setting its agenda to take full account of the important issues facing CEL and the concerns of all directors, ensuring that adequate time is available for thorough discussion of critical and strategic issues, and ensuring its effectiveness with the assistance of the Company Secretary. The Chairman facilitates the effective contribution of the directors and the effective communication with the stakeholders, ensures that timely and adequate information, which must be accurate, clear, complete and reliable, is delivered to the directors to fulfill their duties. The Chairman is also overseeing and giving guidance to the Management in order to enhance the functions of the Board. The Chief Executive Officer is responsible for leading the Management, who implements and executes the important policies and development strategies approved by the Board. The Chief Executive Officer is also directly responsible for the day-to-day operation of the Company, conducts the affairs of the Company in accordance with the practices and procedures adopted by the Board and promotes the highest standards of integrity, probity and corporate governance within the Company and regularly reports to the Board.

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

Training and Support for Directors

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

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

Apart from the regular Board meetings, the Company Secretary also arranges meetings between Board members and front-line business teams in a timely manner, which enable the Board members to enhance understanding of the front-line business development of the Company. In addition to arranging trainings to existing directors regularly, the Board members are also encouraged to participate in professional training programmes as they consider appropriate, with a view to developing and updating their knowledge and skills.

Apart from the above training offered by the Company, based on the training records provided to the Company by the directors, the directors also participated in the following trainings during 2018:

DIRECTORS	TYPE OF TRAININGS
Executive Directors	
Cai Yunge	A, C
Chen Shuang	A, B, C
Tang Chi Chun, Richard	A, C
Zhang Mingao	A, C
Yin Lianchen	A, C
Independent Non-executive Directors	
Lin Zhijun	A, B, C
Chung Shui Ming, Timpson	A, C
Law Cheuk Kin, Stephen	A, C

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

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

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

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

A total of 5 Board meetings were held during the year. The schedule for the regular meetings of the Board and the Board Committees was prepared and approved by the Board in the previous year. Unscheduled supplementary meetings may also take place as and when necessary with reasonable notice. Formal notices were sent to all directors at least 14 days before the regular meetings being held. In general, the Board agenda and meeting materials were dispatched to all Board or relevant Committee members for review at least 3 working days before the meetings. The agenda had been prepared after sufficient consultation with the Board/Board Committee members and the Management and were then approved by the respective chairmen. The Company Secretary is responsible for submitting the papers of Board meetings and relevant information to the directors, who can capture the related information timely. The Board ensures that directors, especially non-executive directors, are provided with sufficient resources in the furtherance of their duties as Board/Committee members, including obtaining further information if necessary or seeking independent professional advice accordingly at the cost of the Company.

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

The Board can also seek the advice and services from the Company Secretary, the Designated Secretary or the secretaries of the respective Board Committees. The Company Secretary is also responsible for ensuring compliance of the procedures of the Board as well as the applicable laws, rules and regulations. Apart from the regular Board meetings, the Company Secretary also annually arranges a meeting for the Chairman of the Board to meet the INEDs in the absence of other directors and the Management.

Attendance rate

The attendance rate of the directors at board meetings and various Board Committee meetings as well as the general meetings of the Company in 2018 is set out below:

DIRECTORS/MEMBERS	BOARD MEETING	NOMINATION COMMITTEE MEETING	AUDIT & RISK MANAGEMENT COMMITTEE MEETING	REMUNERATION COMMITTEE MEETING	GENERAL MEETING
Cai Yunge	5/5	3/3	n/a	2/2	1/1
Chen Shuang	4/5	n/a	n/a	n/a	1/1
Tang Chi Chun, Richard	5/5	n/a	n/a	n/a	1/1
Zhang Mingao	5/5	n/a	n/a	n/a	1/1
Yin Lianchen	5/5	n/a	n/a	n/a	1/1
Tang Shuangning (Note 1)	n/a	n/a	n/a	n/a	n/a
Seto Gin Chung, John (Note 2)	1/1	1/1	2/2	2/2	1/1
Lin Zhijun	5/5	3/3	5/6	2/2	1/1
Chung Shui Ming, Timpson	5/5	3/3	6/6	2/2	1/1
Law Cheuk Kin, Stephen (Note 3)	3/3	1/1	4/4	n/a	n/a

Notes:

1 Mr. Tang Shuangning resigned as a Non-executive Director with effect from 16 March 2018.

2 Mr. Seto Gin Chung, John resigned as an INED with effect from 17 May 2018.

3 Mr. Law Cheuk Kin, Stephen was appointed as an INED with effect from 17 May 2018.

Every director performs his duties as a director at all times in good faith, objectively, with diligence and in the best interest of CEL. The directors have to spend substantial time for the meetings of the Board and the Board Committees, including reading the papers before the meetings, allowing sufficient discussion of the issues in the meetings and having in-depth understanding of the follow-up issues under the agenda after the meetings. The Company also requires the directors to disclose to the Company each year the number and nature of offices held in public companies or organisations and other significant commitments, with an indication of the time involved. The Board believes all directors devoted sufficient time and efforts to deal with matters of the Group, and other commitments do not affect the effectiveness of their contribution to or the time available for CEL.

BOARD COMMITTEES

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

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

Executive Committee

The Executive Committee was established in 2005. All executive directors are members of the Executive Committee. Upon the delegation by the Board, the Executive Committee makes decisions regarding major issues as proposed by the Board through interactive communications from time to time. The Executive Committee currently comprises 5 members: Dr. Cai Yunge, Mr. Chen Shuang, Mr. Tang Chi Chun, Richard, Mr. Zhang Mingao and Mr. Yin Lianchen. Dr. Cai Yunge, the Chairman of the Board, is also the Chairman of the Executive Committee. In 2018, the Executive Committee approved a number of major issues through written resolutions.

Audit and Risk Management Committee

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

Internal Audit Function

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

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

External Auditors

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

Financial Reporting

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

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

Risk Management

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

(a) the changes, since the last review, in the nature and extent of significant risks, and how the Company responds to changes in its business and the external environment;

(b) the scope and quality of the Management's ongoing monitoring of risks and of the internal control system and the work of internal audit;

(c) the monitoring results, which enable it to assess control of the Company and the effectiveness of risk management;

(d) significant control failings or weaknesses identified (if any) and the extent that they have caused unforeseen outcomes or contingencies that could have material impact on the Company's financial performance or condition; and

(e) the effectiveness of the processes for financial reporting and Listing Rules compliance.

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

(a) the process used to identify, evaluate and manage significant risks;

(b) additional information to explain its risk management processes and internal control system;

(c) an acknowledgement by the Board that it is responsible for the internal control system and reviewing its effectiveness;

(d) the process used to review the effectiveness of the internal control system; and

(e) the process used to resolve material internal control defects for any significant problems disclosed in its Annual Reports and Financial Statements.

A comprehensive analysis of the risks affecting the businesses of the Company and the associated mitigation measures is set out in the Risk Management Report on pages 100 to 107.

Corporate Governance

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

Whistleblowing

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

The work performed by the Committee in 2018 included the review and, where applicable, approval of:

- the Company's financial statements for the year ended 31 December 2017 and the annual results announcement thereof, which were recommended to the Board for approval;
- the Company's interim financial statements for the six months ended 30 June 2018 and the interim results announcement thereof, which were recommended to the Board for approval;
- the audit report and management letter submitted by the external auditors;
- the quarterly risk assessment report submitted by the Chief Risk Officer;
- the quarterly internal audit report submitted by the Internal Audit Department;
- the re-appointment of external auditors, and the audit fees and non-audit fees payable to external auditors for the annual audit, interim review and other non-audit services; and
- CEL's internal audit plan and key areas of the internal audit work focus for 2019.

In addition, the Committee also assisted the Board in performing the internal control and risk management function, including:

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

The Committee currently comprises three members, and all members including the chairman are INEDs. It is chaired by Dr. Chung Shui Ming, Timpson and the other members are Mr. Law Cheuk Kin, Stephen and Dr. Lin Zhijun. All of them possess appropriate professional qualifications and experiences in financial business. Six Committee meetings were held during the year with an attendance rate of nearly 100%.

Nomination Committee

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

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

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

The provisions set out in the above paragraphs are the key nomination criteria and principles of the Company for nomination of directors, and these constitute the Nomination Policy of the Company as formally adopted by the Board in 2018. The Nomination Committee will monitor and review the Nomination Policy periodically.

The Nomination Committee currently has four members: Dr. Lin Zhijun, Dr. Cai Yunge, Dr. Chung Shui Ming, Timpson and Mr. Law Cheuk Kin, Stephen. Dr. Lin Zhijun, an INED, is the chairman. The INEDs represent a majority of the committee members. Stability of the Board members, Committee members and senior management was maintained in 2018 and the Nomination Committee held three meetings in the year in relation to making recommendation to the Board on the appointment of a new Board member, the review of the structure, size and composition (including skills, experience and knowledge) of the Board and the Board Committees, assessing the independence of the INEDs, and discussing and making recommendation to the Board on the re-election of the retiring directors at the annual general meeting of the Company, etc.. The attendance rate of the Nomination Committee meetings was 100%.

Remuneration Committee

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

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

The work performed by the Remuneration Committee in 2018 included the review and, where applicable, approval of:

- the performance appraisal of the executive directors and senior management for year 2017;
- the proposal on staff bonus (including the senior management) for year 2017 and salary adjustments for year 2018 for the Company;
- the incentive scheme of the Company; and
- the policies on performance appraisal of the Company's staff (including senior management), annual bonus and annual salary adjustments.

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

The remuneration received by each of the directors in 2018 is listed in note 8(a) to the financial statements in this report. The remuneration received by the senior officers is disclosed in this report according to the band of their remuneration. The fee for the existing directors, including the expense allowance for acting as member(s) of the Board Committees, is submitted to the general meeting every year for approval. For 2018, the directors' remuneration approved by the Board which was authorised by shareholders at the general meeting is as follows:

The director's fee for the year ended 31 December 2018 is HK$200,000 for each INED who has served for one full year and pro-rated for INED who did not serve for one full year. There is no standard fee for INEDs for acting as member(s) of the Remuneration Committee, Audit and Risk Management Committee, Nomination Committee and Strategy Committee. However, an expense allowance was paid to INEDs for attending the following meetings:

(a) HK$10,000 for attending a Board meeting;

(b) HK$5,000 for attending a meeting of the Remuneration Committee, Nomination Committee and Strategy Committee; and

(c) HK$18,000 for the chairman of the Audit and Risk Management Committee attending its meeting and HK$14,000 for other members.

There is no director's fee for the year ended 31 December 2018 for executive directors/non-executive directors.

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

The Remuneration Committee currently has 4 members comprising Dr. Lin Zhijun, Dr. Cai Yunge, Dr. Chung Shui Ming, Timpson and Mr. Law Cheuk Kin, Stephen. The Remuneration Committee is chaired by Dr. Lin Zhijun, an INED. The INEDs represent a majority of the members of the Remuneration Committee. A total of two meetings were held by the Remuneration Committee during the year with an attendance rate of 100%.

Remuneration of Directors and Senior Management

The remuneration of the members of the senior management by band for the year ended 31 December 2018 is set out below:

REMUNERATION BANDS (HK$)	NUMBER OF PERSONS
HK$5,000,001 to HK$5,500,000	1
HK$5,500,001 to HK$6,000,000	1
HK$6,000,001 to HK$6,500,000	2
HK$6,500,001 to HK$7,000,000	1
HK$7,000,001 to HK$7,500,000	2
HK$8,500,001 to HK$9,000,000	1
HK$12,500,001 to HK$13,000,000	1

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

Strategy Committee

The Strategy Committee, which was established in 2006, is responsible for studying the long term strategy and planning of the Group and making recommendations to the Board for the middle and long term development strategies of the Group. The Strategy Committee is chaired by Mr. Law Cheuk Kin, Stephen, an INED, and currently has 7 members including Mr. Law Cheuk Kin, Stephen, Dr. Cai Yunge, Mr. Chen Shuang, Mr. Zhang Mingao, Mr. Yin Lianchen, Dr. Lin Zhijin and Dr. Chung Shui Ming, Timpson. The Strategy Committee reviewed the strategic positioning and development planning of the Company.

Independent Board Committee

An Independent Board Committee will be formed from time to time to make recommendation and advice to the independent shareholders on voting on the Company's connected transaction and continuing connected transaction or other transaction of the Company and its subsidiaries that required independent shareholders' approval at general meetings.

ACCOUNTABILITY AND AUDIT

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

INTERNAL CONTROL

The Board has the responsibility of ensuring that the Company maintains sound and effective internal control to safeguard the Company's assets. The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss; to manage, but not completely eliminate, the risks of system failure; and to assist in achieving the Company's objectives. In addition to safeguarding the Company's assets, it also ensures the maintenance of proper accounting records and compliance with relevant laws and regulations. CEL implemented budget management, and the yearly budget is executed upon approval by the Audit and Risk Management Committee and the Board. The budget implementation will be reviewed periodically by the Board to ensure the effectiveness of budget management and financial reporting.

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

The Company's monitoring structure

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

1st. The risk management of frontline departments

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

2nd. Continuously monitoring of middle and back office

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

3rd. The independent review of internal audit

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

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

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

The review of risk management and internal control by the Board

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

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

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

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

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

RISK MANAGEMENT

With assistance of the Audit and Risk Management Committee, the Board is responsible for evaluating and determining the nature and extent of the risks that it is willing to take in achieving the Company's strategic objectives. With assistance of the Risk Management Department and the Management, the Audit and Risk Management Committee is responsible for ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Management's written confirmation on the effectiveness of the risk management and internal control system's structure, their implementation and monitoring to the Board has been set out in the Risk Management Report on pages 100 to 107 in this Annual Report.

BOARD EVALUATION

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised special rules governing securities dealing of directors in the "Code for Securities Transactions by Directors and Relevant Employees", which are no less exacting than the required standards set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry to all directors, the Company received confirmation from all directors that they have complied with the required standards set out in the said manual and the Model Code throughout the year 2018.

CONSTITUTIONAL DOCUMENTS

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

EXTERNAL AUDITORS

Pursuant to the responsibility delegated by the Board, the Audit and Risk Management Committee had reviewed and monitored the independence, objectivity and effectiveness of Ernst & Young ("EY"), the Group's external auditors, on their audit procedures, and the results were satisfactory. Upon the recommendation of the Audit and Risk Management Committee, the Board had proposed that EY be re-appointed as auditors of the Group. Subject to the approval by the shareholders at the Company's 2019 annual general meeting, the Board will authorise the Audit and Risk Management Committee to determine the remuneration for EY.

For 2018, the total fee charged by EY for audit services was HK$12,515,000 and non-audit services was HK$3,629,000 for the review of the interim financial statements, tax and other services. For 2017, the total fee charged by EY for audit services was HK$10,848,000 and non-audit services was HK$2,552,000 respectively.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The following statement should be read in conjunction with the auditor's statement of its responsibilities as set out in the Independent Auditor's Report contained in the 2018 Annual Report of the Company. The statement sets out for the shareholders the respective responsibilities of the directors and the auditors in relation to the financial statements.

The directors are required by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance") to prepare financial statements which give a true and fair view of the state of affairs of the Company. The financial statements should be prepared on a going concern basis unless it is inappropriate to do so. The directors have the responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the requirements of the Companies Ordinance. The directors also have general responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors consider that in preparing the financial statements in the 2018 Annual Report, the Company has adopted appropriate accounting policies which have been consistently applied with the support of reasonable and prudent judgments and estimates, and that all accounting standards which they consider to be applicable have been followed. Directors ensure that the financial statements are prepared so as to give a true and fair view of the financial status, operations and cashflow states of the reporting period.

EFFECTIVE DISCLOSURE MECHANISM AND HANDLING OF INSIDE INFORMATION

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

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

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

Annual General Meeting

The Board attaches a high degree of importance to non-interrupted communications with shareholders, especially direct dialogue with them at the Company's annual general meetings. Shareholders are encouraged to actively participate in such meetings. Members of the Board, including the Chairman and INEDs, and representatives of EY were present at the Company's 2018 annual general meeting held on 17 May 2018 to address to questions and comments raised by shareholders.

In addition, the Company also provided further information on the 2018 annual general meeting in a circular to shareholders. This includes background information to the proposed resolutions and information on the retirement and re-election of directors in order to enable all shareholders to understand their rights at the annual general meeting and to make decisions with sufficient information.

Shareholders' Communication Policy

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

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

Dividend Policy

The Board has adopted a dividend policy for the Company. In principle, the policy allows the shareholders to share the profits of the Company to obtain reasonable, stable and sustainable dividend returns whilst retaining an adequate cash level to meet general working capital and future development requirements. Based on the above principle, the Company intends to distribute an appropriate amount of annual dividends, part of which may be declared in the form of an interim dividend, subject to the Articles of the Association of the Company, the Companies Ordinance and other applicable laws and regulations and taking into account any factor that the Board considers relevant. The dividend policy of the Company is subject to periodic review by the Board. The dividend policy does not form any commitment on distribution of dividends to the shareholders and there is no assurance that dividends will be paid in any particular amount for any given period.

Shareholders' Rights

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

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

the way in which shareholders can convene a general meeting:

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

The request –

(a) must state the general nature of the business to be dealt with at the meeting;

(b) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting;

(c) may consist of several documents in like form;

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

(e) must be authenticated by the person or persons making it.

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

the procedures for making proposals at shareholders' meetings:

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

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

(b) not fewer than 50 shareholders who have a right to vote on the resolution at the general meeting to which the requests relate.

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

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

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

INVESTOR RELATIONS AND COMMUNICATIONS

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

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

SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY

The Company attaches great importance to corporate social responsibility. The Board is committed to undertaking corporate social responsibility by strengthening relationship with its stakeholders with a view to contributing to the sustainable development of the economy, society and environment. The Company consistently supports and participates in activities that are beneficial to the community. Please refer to the "Environmental, Social and Governance Report" set out on pages 46 to 75 of this Annual Report.

COMPANY SECRETARY

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

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

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

RISK MANAGEMENT REPORT

THE SCOPE OF RISK MANAGEMENT & INTERNAL CONTROLS

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

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

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

Risk Management Framework:

The Company's risk management framework is designed to support the delivery of the Company's strategic objectives. The key principles that underpin risk management in the Company are:

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

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

Internal Control Framework:

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

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

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

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

COMMUNICATION OF RISK & INTERNAL CONTROL REVIEW REPORTS

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

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

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

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

EFFECTIVENESS OF FINANCIAL REPORTING & LISTING RULE COMPLIANCE

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

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

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

PROCESS OF ASSESSMENT AND MANAGEMENT OF SIGNIFICANT RISKS

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

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

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

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

MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL

Terms of Reference

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

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

Risk Management & Internal Control

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

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

BOARD RESPONSIBILITY ON RISK MANAGEMENT & INTERNAL CONTROL

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

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

PROCESS OF REVIEWING THE EFFECTIVENESS OF RISK MANAGEMENT & INTERNAL CONTROL

On behalf of the Board, the Audit and Risk Management Committee carried out the annual assessment of the effectiveness of the risk management and internal control during 2018, including those related to the financial reporting process. In addition, the Committee considered the adequacy of the Company's risk management arrangements in the context of the Company's business and strategy.

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

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

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

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

REVIEW OF KEY RISKS

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

KEY RISK	CHANGES IN 2018	MITIGATING FACTORS
Financial		
Liquidity Risk	→	
Risk of failing to meet the Company's contractual or payment obligations in a timely manner.	The Company has continued to hold sufficient cash balances to fulfill its obligations under normal or stressed environment.	The Company's cash position, available facilities and forecast cash flows are closely monitored by Finance Department and under the oversight of Risk Management Department. The Company performs long term forecasts and use stress tests to assess the Company future liquidity and short term forecasts to closely monitor any change of liquidity need.
Financial Leverage Risk	↗	
Key risk that arises from high financial leverage occurs when a company's return on asset does not exceed the interest on the loan, which greatly diminishes a company's return on equity and profitability. Additionally, high financial leverage may raise the risk of failing to fulfill the relevant requirements form loan covenants (if any) and resulting in technical default.	Slightly higher financial leverage as a result of the increasing demand on capital for new investments, yet it is still within a reasonable level.	The Company has projected the firm-wide cash flows, return and profitability at least annually. After consideration from the perspective on financial control and risk management, the Management advises the Board regarding the optimized financial leverage ratio and relevant limits for approval. The approved financial leverage ratio and relevant limits are closely monitored by Finance Department and Risk Management Department regularly.

Key: ↗ Risk level increased | ↘ Risk level decreased | → No significant change in risk level

KEY RISK	CHANGES IN 2018	MITIGATING FACTORS
Foreign Currency Risk	→	
Risk that the Company's financial position is exposed to adverse movements in exchange rates.	Depreciation of RMB during the year had direct or indirect negative impact on the company's assets invested in RMB, but which was partially offset by the positive impact on RMB panda bonds. Overall foreign currency risk had no significant change.	Monitor asset exposures by currency regularly and the foreign currency rate movement. Improve currency matching between asset and liability, reducing currency mismatch risk. Perform sensitivity analysis on the effect of change in foreign currency rates.
Interest Rate Risk	↗	
Change of the interest rate will have negative impact on the Company and its relevant portfolios if there is an interest rate mismatch of the assets and liabilities.	Cost of borrowing increased with the increase in the interest rate of USD /HKD. As fixed rate RMB Panda bonds account significant part in the Company's debt structure, the impact caused by the increase in the interest rate of USD / HKD was limited.	Monitoring on interest rate mismatch and sensitivity test are performed regularly. The Company has managed to increase the proportion of loans in RMB and Panda bonds to mitigate the impact from the increase in the interest rate of USD / HKD.
Investment		
Market Risk	↗	
Risk arises from market movements, which can cause a fall in the value of investments.	Equity market in China and Hong Kong dropped significantly in 2018 and global financial market uncertainty has generally increased. Overall market risk increased.	Limits on the aggregate amount of seed capital investment and diversification of the assets invested. The Company actively develops businesses which are fee based so that our return and profitability will be more stable. Allocate more assets to fixed income products which are more immuned from market fluctuation.

Key: ↗ Risk level increased | ↘ Risk level decreased | → No significant change in risk level

KEY RISK	CHANGES IN 2018	MITIGATING FACTORS
Credit Risk	→	
- Risk exposed to credit losses if borrowers are unable to repay loans and outstanding interest and fees. - In addition, the Company has exposure to counterparties with which we place deposits or trades, and derivative contracts.	- The Company's provision on loan in percentage did not have significant change and kept at a reasonable level. - Our counterparty risks are broadly unchanged.	We seek to minimize our credit risk from our lending by: - Lending on a majorly secured basis with significantly emphasis placed on the underlying security. - Manage to maintain consistent and conservative loan to value ratios and short-term tenor. - Operating strong control and governance both within business units and with oversight by Risk Management Department. Our exposures to counterparties are mitigated by: - Seek to diversify our exposures across different counterparties. - Continuous monitoring of credit quality of our counterparties within approved set limits.
Operational		
Operational Risk	↘	
- Risk of losses through inadequate or failed internal processes, people or systems or through external events.	- The Company's Operations Department set up in 2015 expand rapidly and enhance continuously the identification, control and management on operation al risks.	- Our control systems are designed to ensure operational risks are mitigated to an acceptable level.. - Three lines of defend model abovementioned is key point. - Risk and control assessments are used to identify and assess key operational risks. Associated controls are assessed with regard to their design and performance. Where required, processes and controls are enhanced to improve the control environment. - We manage risk events through identification, reporting and resolution with the aim of preventing risk events from recurring. - Relevant trading / investment management systems/information management systems are implemented and enhanced continuously to mitigate relevant operational risks.

Key: ↗ Risk level increased | ↘ Risk level decreased | → No significant change in risk level

KEY RISK	CHANGES IN 2018	MITIGATING FACTORS
Legal and Regulatory Risk	Risk level increased	
- Changes to the existing legal, regulatory and tax environments and failure to comply with existing requirements may materially impact the Company. - Failing to treat customers fairly, safeguard client assets or provide advice / products contrary to clients' best interest may damage our reputation and may lead to legal or regulatory sanctions including litigation and customer redress. This applies to current, past and future business.	- The changes in legal and regulatory requirements in recent years lead to additional reporting requirements, operational complexity and cost to the Company.	- Legal, Compliance and Company Secretarial Department tracks legal and regulatory developments to ensure the Company is prepared for both local and global changes. In addition to developing policies, delivering training and performing monitoring checks, they provide advice to other departments to ensure compliance with legal and regulatory requirements. They also work with project groups to implement key regulatory changes. - Governance and control processes to review and approve new funds / products. - Training for relevant staff regarding the legal and regulatory requirements for running the Company's businesses. - Continuous monitoring of key legal and regulatory requirement, as well as work with Finance Department to study tax developments to anticipate their potential impact.
Information Technology Risk	No significant change in risk level	
- Risk of failure to keep up with changing customer expectations or manage upgrades to existing technology may impact the Company performance.	- The Company continued to invest and upgrade its IT infrastructure and systems, including corporate data warehouse, investment management system and order management system.	- The Company continues to invest in its IT infrastructure, data management system, reporting system and other software/systems. - We has strong governance in place to oversee our major IT projects. - We have in place business continuity and disaster recovery plans.

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

KEY RISK	CHANGES IN 2018	MITIGATING FACTORS
Loss of Key Personnel Risk	→	
Risk of failure to recruit or retain appropriately skilled and experienced staff may have a material adverse effect on the Company's operations	Annual staff turnover generally has no significant change in 2018.	The Company seeks to develop, attract, motivate and retain staff through comprehensive human resource policies. Comprehensive and highly transparent evaluation policies are used to enhance staff performance. Maintains loyalty through appropriate remuneration and benefit packages, which includes a significant deferred element. Contracts for relevant roles have restrictive covenants and enhanced notice periods are in place for key staff. Comprehensive training is offered to all staff. We have teams with complementary skill sets and this team based approach seeks to avoid reliance on any one individual. We have set up promotion policy so that employees have clear career path to pursue and are motivated to stay for long term development.
Reputational		
Reputational Risk	→	
Risk that negative publicity regarding the Company will lead to client redemptions and a decline in AUM and revenue. The risk of damage to the Company's reputation is more likely as a result from one of the other key risks materializing rather than as a standalone risk.	The Company's brand continued to strengthen in recent years as evidence by positive feedback from clients, increasing AUM and social recognition.	High standards of conduct and a principled approach to regulatory compliance are integral to our corporate culture and values. We consider key reputational risks when initiating changes in strategy or operating model. Reputational risk is primarily mitigated through the effective mitigation of the other key risks. Our risk appetite, risk and compliance policies, governance structures and reward mechanism include significant focus on issues and behaviors that could positively affect the Company's reputation.

Key: ↗ Risk level increased | ↘ Risk level decreased | → No significant change in risk level

DIRECTORS' REPORT

The board of directors (the "Board") hereby presents the Annual Report together with the audited financial statements of China Everbright Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in investment holdings and the provision of financial services. The principal activities of the subsidiaries are set out in note 16 to the financial statements. Further discussion and analysis of these activities and business review as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 28 to 45 and the Risk Management Report set out on pages 100 to 107 respectively of this Annual Report. The discussion on the Group's environmental policies and performance, the Group's key relationships with employees, customers, suppliers and other stakeholders, and the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, can be found in the Environmental, Social and Governance Report set out on pages 46 to 75 of this Annual Report. These discussions form part of this Directors' Report.

TURNOVER AND CONTRIBUTION TO GROUP RESULTS

The turnover and contribution to operating results of the Group by activity and geographical location are set out in notes 4 and 42 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out on page 133 of this Annual Report.

The directors recommend the payment of a final dividend of HK$0.4 per share for the year ended 31 December 2018 (2017: HK$0.6 per share).

MAJOR CUSTOMERS AND SUPPLIERS

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

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 222 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

PROPERTIES

Particulars of major properties held by the Group as at 31 December 2018 are set out on page 223 of this Annual Report.

CHARITABLE DONATIONS

Charitable donation made by the Group for the year ended 31 December 2018 amounted to HK$5,595,000.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of the Company's principal subsidiaries, associates and joint ventures as at 31 December 2018 are set out in notes 16, 17 and 18 to the financial statements respectively.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2018 are set out in note 26 to the financial statements.

BOND PAYABLE

Particulars of bond payable of the Group as at 31 December 2018 are set out in note 29 to the financial statements.

SHARE CAPITAL

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

RESERVES

Distributable reserves of the Company as at 31 December 2018 as calculated under the Companies Ordinance amounted to HK$2,142,849,000 (2017: HK$2,058,280,000). The movement in the Company's reserves are set out in note 33 to the financial statements.

BORROWINGS AND INTEREST CAPITALISED

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

EQUITY-LINKED AGREEMENTS

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

CONNECTED TRANSACTION

The connected transaction disclosed in accordance with the Listing Rules on the Stock Exchange is as follows:

On 17 December 2018, the Company and Everbright Securities Company Limited ("Everbright Securities") entered into an underwriting agreement (the "Underwriting Agreement") pursuant to which the Company engaged Everbright Securities as the lead underwriter in respect of the proposed issue of the corporate bonds by the Company in the People's Republic of China to qualified investors of not more than RMB4.5 billion in principal amount.

China Everbright Group Ltd. ("CE Group"), through its wholly-owned subsidiary China Everbright Holdings Company Limited ("CE Hong Kong"), is interested in approximately 49.74% of the total issued share capital of the Company and is a controlling shareholder of the Company. To the best of the directors' knowledge, information and belief and having made all reasonable enquiries, as at 17 December 2018, CE Group was, directly and indirectly, interested in 2,141,706,183 A shares of Everbright Securities, representing approximately 46.45% of the total issued share capital of Everbright Securities and accordingly, Everbright Securities is a connected person of the Company pursuant to the Listing Rules. Accordingly, the transactions contemplated under the Underwriting Agreement (including the payment of any underwriting fee(s)) constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

The above transaction was subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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

CE Group is the holder of 100% of the equity interest in CE Hong Kong. CE Hong Kong is the indirect controlling shareholder of the Company which indirectly holds approximately 49.74% equity interest in the Company. Accordingly, CE Group is a controlling shareholder of the Company, and thus CE Group and its associates are connected persons of the Company. The ongoing arrangements between the Group and CE Group and its associates entered into (including, among other things, deposit services, asset management services, brokerage services, custodian services and tenancy agreement) are continuing connected transactions of the Company.

On 15 December 2017, the Company entered into the following framework agreements (collectively the "Framework Agreements") with CE Group:

(1) Deposit services framework agreement;

(2) Asset management services framework agreement;

(3) Brokerage services framework agreement; and

(4) Custodian services framework agreement.

The Framework Agreements set out the basis upon which members of the Group to carry out the transactions contemplated under the Framework Agreements with CE Group and/or its associates for the three financial years ending 31 December 2020. The duration of the Framework Agreements was commenced on 15 December 2017 and expired on 31 December 2020. CE Group, being the controlling shareholder of the Company, is a connected person of the Company under the Listing Rules and therefore entering into of the Framework Agreements by the Company and the transactions contemplated under the Framework Agreements constitute continuing connected transactions of the Company under the Listing Rules.

(1) Deposit Services

CE Group through its associate China Everbright Bank Company Limited ("CE Bank"), provides deposit services to the Group, including current and fixed term deposits. The deposit services are subject to the standard terms and conditions of CE Group and its associates. The annual cap for the transactions under the Deposit Services Framework Agreement for the year ended/ending 31 December 2018, 31 December 2019 and 31 December 2020 are all set at HK$1,400,000,000. During the year ended 31 December 2018, none of the daily aggregate bank balance maintained with CE Bank exceeded HK$1,400,000,000.

(2) Asset Management Services

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

Material terms:

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

The annual cap for the transactions under the Asset Management Services Framework Agreement for the year ended/ending 31 December 2018, 31 December 2019 and 31 December 2020 are all set at HK$360,000,000. The transaction amount under the Asset Management Services Framework Agreement for the year ended 31 December 2018 was approximately HK$10,758,000.

(3) Brokerage Services

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

Material terms:

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

The annual cap for the transactions under the Brokerage Services Framework Agreement for the year ended/ending 31 December 2018, 31 December 2019 and 31 December 2020 are all set at HK$28,000,000. The transaction amount under the Brokerage Services Framework Agreement for the year ended 31 December 2018 was approximately HK$331,000.

(4) Custodian Services

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

Material terms:

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

The annual cap for the transactions under the Custodian Services Framework Agreement for the year ended/ending 31 December 2018, 31 December 2019 and 31 December 2020 are all set at HK$28,000,000. The transaction amount under the Custodian Services Framework Agreement for the year ended 31 December 2018 was approximately HK$124,000.

(5) Tenancy agreement

On 22 November 2017, CEL Management Services Limited ("CELMS"), a wholly-owned subsidiary of the Company, as the tenant, entered into a tenancy agreement (the "Tenancy Agreement") with Newepoch Group Limited, a wholly-owned subsidiary of CE Hong Kong, as the landlord, for leasing office premises situated on Rooms 4101, 4105 and 4106, 41st Floor of Far East Finance Centre, No. 16 Harcourt Road, Hong Kong, for a term of three years from 22 November 2017 and to 21 November 2020 at a monthly rental of HK$779,786, exclusive of rates and management fees and other charges.

The annual caps for the Tenancy Agreement for the Company's financial years ended 31 December 2017 and three years ending 31 December 2018, 31 December 2019 and 31 December 2020 shall not exceed HK$252,000, HK$9,358,000, HK$8,578,000 and HK$7,547,000 respectively. The transaction amount under the Tenancy Agreement for the year ended 31 December 2018 was approximately HK$8,578,000.

Reviewed by independent non-executive directors and the auditor

The independent non-executive directors of the Company had reviewed the above continuing connected transactions for the year ended 31 December 2018 and confirmed that the transactions were:

(a) entered into in the ordinary and usual course of business of the Group;

(b) conducted on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(c) entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

RELATED PARTY TRANSACTIONS

A summary of the material related party transactions entered into by the Group during the year is contained in Note 35 to the financial statements. Save as disclosed above in the paragraphs headed "Connected Transaction" and "Continuing Connected Transactions", no other related party transactions constitute any connected transactions or continuing connected transactions as defined under the Listing Rules during the year. The Company has complied with the applicable requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transaction and continuing connected transactions entered into by the Group during the year.

DIRECTORS

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

Executive Directors:

Dr. Cai Yunge, Chairman
Mr. Chen Shuang, Chief Executive Officer
Mr. Tang Chi Chun, Richard, Chief Financial Officer
Mr. Zhang Mingao, Chief Investment Officer
Mr. Yin Lianchen, Chief Investment Officer

Non-executive Director:

Mr. Tang Shuangning (resigned on 16 March 2018)

Independent Non-executive Directors:

Mr. Seto Gin Chung, John (resigned on 17 May 2018)
Dr. Lin Zhijun
Dr. Chung Shui Ming, Timpson
Mr. Law Cheuk Kin, Stephen (appointed on 17 May 2018)

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

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

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

In accordance with Articles 120 and 121, Dr. Cai Yunge, Mr. Chen Shuang and Dr. Lin Zhijun, being directors who have been longest in office since their last re-election, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. In addition, in accordance with Article 87, Mr. Law Cheuk Kin, Stephen, being a new director appointed by the Board during the year, will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

DIRECTORS OF SUBSIDIARIES

Other than certain directors and senior management named in the section headed "Directors and Senior Management" as set out on pages 122 to 126 of this Annual Report, the name of persons who have served on the board of the subsidiaries of the Company during the financial year ended 31 December 2018 and up to the date of this Annual Report are available on the Company's website under "Investor Relations" columns.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the interests of the directors and chief executives of the Company in the shares, underlying shares of equity derivatives and debentures of the Company or its associated corporations (as defined by Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register of directors' and chief executives' interests and short positions required to be maintained under section 352 of the SFO are as follows:

1a. Long position in shares of the Company:

NAME OF DIRECTORS	TOTAL	PERSONAL INTEREST	FAMILY INTEREST	CORPORATE INTEREST	% OF TOTAL ISSUED SHARES
Chen Shuang	50,000	50,000	–	–	0.00%
Tang Chi Chun, Richard	719,000	719,000	–	–	0.04%
Yin Lianchen	26,000	26,000	–	–	0.00%
Chung Shui Ming, Timpson	50,000	50,000	–	–	0.00%

1b. Long position in shares of an associated corporation of the Company, namely China Everbright International Limited:

NAME OF DIRECTOR	TOTAL	PERSONAL INTEREST	FAMILY INTEREST	CORPORATE INTEREST	% OF TOTAL ISSUED SHARES
Chen Shuang	137,037	137,037	–	–	0.00%

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

NAME OF DIRECTORS	TOTAL	PERSONAL INTEREST	FAMILY INTEREST	CORPORATE INTEREST	% OF TOTAL ISSUED SHARES
Chen Shuang	400,000	400,000	–	–	0.06%
Tang Chi Chun, Richard	200,000	200,000	–	–	0.03%

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

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

NAME OF DIRECTOR	CAPACITY/NATURE OF INTEREST	NUMBER OF UNDERLYING SHARES HELD	APPROXIMATELY % OF ISSUED SHARES
Chen Shuang	beneficial owner	10,000,000 (Note)	1.48%

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

As at 31 December 2018, save as disclosed herein, none of the directors and chief executives of the Company had interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporations (as defined under the SFO) as recorded in the register of directors' and chief executives' interests and short positions.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

According to the register kept under section 336 of the SFO, the Company has been notified of the following interests in the Company's issued shares at 31 December 2018 amounting to 5% or more of the ordinary shares in issue:

	CAPACITY/NATURE OF INTEREST	LONG POSITION IN ORDINARY SHARES HELD AND PERCENTAGE OF TOTAL ISSUED SHARES	SHORT POSITION IN ORDINARY SHARES HELD AND PERCENTAGE OF TOTAL ISSUED SHARES	LENDING POOL IN ORDINARY SHARES HELD AND PERCENTAGE OF TOTAL ISSUED SHARES
Central Huijin Investment Ltd. ("Huijin") (note (1))	Interest of controlled corporation	838,306,207 Approximately 49.74%	–	–
China Everbright Group Ltd. ("China Everbright Group") (note (2))	Interest of controlled corporation	838,306,207 Approximately 49.74%	–	–

Notes:

(1) Huijin is indirectly wholly-owned by the State Council of the People's Republic of China and holds 55.67% equity interest of China Everbright Group.

(2) China Everbright Group holds 100% of the issued shares of China Everbright Holdings Company Limited ("CE Hong Kong"). CE Hong Kong holds (1) 100% of the issued shares of Datten Investments Limited, which in turn holds 100% of the issued shares of Honorich Holdings Limited ("Honorich"), and (2) 100% of the issued shares of Everbright Investment & Management Limited ("EIM"), respectively. Out of the 838,306,207 ordinary shares, 832,273,207 ordinary shares are held by Honorich. The remaining 6,033,000 ordinary shares are held by EIM. Accordingly, China Everbright Group is deemed to be interested in 832,273,207 ordinary shares held by Honorich and 6,033,000 ordinary shares held by EIM.

Save as disclosed above, as at 31 December 2018, the Company had not been notified of any other persons (other than the directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

PERMITTED INDEMNITY PROVISION

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

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

COMPETING INTEREST

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

CORPORATE GOVERNANCE

The Company believes that upholding good corporate governance measures is important to ensuring effective internal control and to protect the long term interest of the shareholders, customers, staff and the Company. The Company strictly complies with the applicable laws and regulations and codes and guidelines of the regulatory authorities, and strives to follow the best international and local corporate governance practices and to develop and improve the corporate governance practices of the Company.

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

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee currently comprises Dr. Chung Shui Ming, Timpson, Dr. Lin Zhijun and Mr. Law Cheuk Kin, Stephen. 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 audited financial statements of the Group for the year ended 31 December 2018. The terms of reference of the Audit and Risk Management Committee and a summary of the duties discharged in 2018 have been set out in the section on "Corporate Governance Report".

RETIREMENT SCHEMES

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

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

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

The Group's total contributions to these schemes charged to the consolidated statement of profit or loss during the year ended 31 December 2018 amounted to approximately HK$3.057 million.

SUFFICIENCY OF PUBLIC FLOAT

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

OTHER INFORMATION

Final Dividend

The Board has resolved to recommend the payment of a final dividend of HK$0.4 per share for the year ended 31 December 2018 (2017: HK$0.6 per share). Together with the interim dividend of HK$0.26 per share already paid, the aggregate dividend for the year is HK$0.66 per share (2017: HK$0.85 per share).

The final dividend, subject to shareholders' approval at the forthcoming annual general meeting, is expected to be paid on Thursday, 20 June 2019 to those shareholders whose names appeared on the register of members of the Company on Tuesday, 11 June 2019.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 17 May 2019 to Thursday, 23 May 2019, 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, 16 May 2019.

The register of members of the Company will also be closed on Monday, 10 June 2019 and Tuesday, 11 June 2019, 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, 6 June 2019.

Changes of Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of directors' information of the Company since the date of the Company's 2018 Interim Report are set out as follows:

Mr. Chen Shuang, the Chief Executive Officer of the Company, has been appointed as a member of the Mainland Business Advisory Committee of the Hong Kong Trade Development Council with effect from 1 April 2019. He also ceased to be a non-official member of Financial Services Development Council of the HKSAR with effect from 16 January 2019.

Mr. Law Cheuk Kin, Stephen, an Independent Non-executive Director of the Company, was appointed as an Independent Non-executive Director of Somerley Capital Holdings Limited (stock code: 8439.HK) with effect from 15 February 2019. He is also an Independent Non-executive Director of Stealth BioTherapeutics Corp. (MITO.Nasdaq), which has been listed on Nasdaq since 15 February 2019.

In respect of the changes in emoluments of directors, please refer to note 8 to the financial statements.

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

On 15 July 2016, a wholly-owned subsidiary of the Company as borrower, the Company as guarantor entered into a facility letter with an independent third party bank as lender for a term loan of up to US$150 million (or in equivalent Hong Kong dollars or Renminbi) for a period of 5 years from the signing date of the said facility letter. Under the said facility letter, it will be an event of default if CE Hong Kong ceases to be the single largest shareholder of the Company or ceases to maintain management control of the Company. Upon the occurrence of any of the above events, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 22 July 2016, a wholly-owned subsidiary of the Company as borrower, the Company as guarantor entered into a facility letter with an independent third party bank as lender for a term loan of up to US$100 million (or in equivalent Hong Kong dollars or Renminbi) for a period of 36 months from the signing date of the said facility letter. Under the said facility letter, it will be an event of default if CE Hong Kong ceases to be the single largest shareholder of the Company or ceases to maintain management control of the Company. Upon the occurrence of any of the above events, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 28 July 2016, the Company as borrower entered into a facility agreement with an independent third party bank as lender for a term loan facility of up to US$200 million (or in equivalent Hong Kong dollars or Renminbi). The facilities under the said facility agreement shall be for a period of 60 months from the date of the said facility agreement if denominated in United States dollars or Hong Kong dollars and for a period of 36 months from the date of the said facility agreement if denominated in Renminbi. Under the said facility agreement, it will be an event of default if CE Hong Kong (i) ceases to beneficially own at least 45% of the total issued share capital of the Company or (ii) ceases to be the single largest shareholder or maintain management control of the Company or (iii) ceases to be beneficially wholly-owned, directly or indirectly, by a state body in the People's Republic of China. Upon the occurrence of any of the above events, the facilities under the said facility agreement together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 10 February 2017, a wholly-owned subsidiary of the Company as borrower, the Company as guarantor entered into a facility agreement with an independent third party bank as lender for a term loan of up to HK$1.5 billion (or in equivalent United States dollars or Renminbi) for a period of 36 months from the date of the said facility agreement. Under the said facility agreement, it will be an event of default if CE Hong Kong (i) ceases to beneficially own at least 45% of the total issued share capital of the Company or (ii) ceases to be the single largest shareholder or maintain management control of the Company or (iii) ceases to be beneficially wholly-owned, directly or indirectly, by a state body of the People's Republic of China. Upon the occurrence of any of the above events, the facilities under the said facility agreement together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 16 March 2017, a wholly-owned subsidiary of the Company as borrower, the Company as guarantor entered into a facility letter with an independent third party bank as lender for (i) a term loan of up to US$100 million (or in equivalent Hong Kong dollars or Renminbi) for a period of 36 months from the signing date of the said facility letter; (ii) a term loan of up to US$300 million (or in equivalent Hong Kong dollars or Renminbi) for a period of 60 months from the signing date of the said facility letter; and (iii) a revolving loan and/or standby letters of credit of up to US$150 million (or in equivalent Hong Kong dollars or Renminbi) being subject to annual review by such lender. Under the said facility letter, it will be an event of default if CE Hong Kong (i) ceases to be the single largest shareholder of the Company or ceases to maintain management control of the Company; or (ii) ceases to be beneficially wholly-owned, directly or indirectly, by a state body of the People's Republic of China. Upon the occurrence of any of the above events, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 13 April 2017, the Company entered into a facility letter pursuant to which an independent third party bank has agreed to grant a revolving and term loan of up to HK$1.5 billion (or its equivalent in the United States dollars or Renminbi) for a period of 3 years from the signing date of the said facility letter. Under the said facility letter, it will be an event of default if CE Hong Kong ceases to be the single largest shareholder of the Company. Upon the occurrence of the above event, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 31 July 2017, the Company as borrower entered into a facility agreement with an independent third party bank as lender for a term loan of up to US$80 million (or in equivalent Hong Kong dollars) for a period of 60 months from the date of the said facility agreement. Under the said facility agreement, it will be an event of default if CE Hong Kong (i) ceases to beneficially own, directly or indirectly, at least 40% of the total issued share capital of the Company or (ii) ceases to be beneficially wholly-owned, directly or indirectly, by a state body of the People's Republic of China. Upon the occurrence of any of the above events, the facilities under the said facility agreement together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 18 January 2018, the Company as borrower entered into a facility letter with an independent third party bank as lender for (i) a term loan of up to US$100 million (or in equivalent Hong Kong dollars or Euro dollars) for a period of 3 years from the date of each drawdown and (ii) a revolving demand loan of up to US$100 million (or in equivalent Hong Kong dollars or Euro dollars) which will be available for drawdown for a period of 12 months from the date of the said facility letter and shall be fully repaid within 12 months from the end of the abovementioned period. Pursuant to the said facility letter, the total outstanding balance of the facilities shall not at any time exceed US$100 million. Under the said facility letter, it will be an event of default if CE Hong Kong ceases to be the single largest shareholder of the Company. Upon the occurrence of the above event, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 30 April 2018, the Company entered into a supplementary facility letter with an independent third party bank as lender to an uncommitted revolving loan facility dated 18 December 2015 of up to US$300 million (or in equivalent Hong Kong dollars or Renminbi), pursuant to which the lender will continue to provide the revolving loan facility to the Company for a period of one year from the date of the acceptance of such supplementary facility letter, which is subject to a further extension for one more year at the lender's sole discretion. Pursuant to the terms of the revolving loan facility, it will be an event of default if CE Hong Kong ceases to be the single largest shareholder of the Company. Upon the occurrence of the above event, the facilities under the revolving loan facility together with all accrued interest and any other amounts accrued under the revolving loan facility may become immediately due and payable.

On 30 April 2018, a wholly-owned subsidiary of the Company as borrower, the Company as guarantor entered into a facility letter with an independent third party bank as lender for an uncommitted revolving loan of up to US$150 million (or in equivalent Hong Kong dollars or Renminbi) being subject to annual review by such lender. Under the said facility letter, it will be an event of default if CE Hong Kong (i) ceases to be the single largest shareholder of the Company or ceases to maintain management control of the Company; or (ii) ceases to be beneficially wholly-owned, directly or indirectly, by a state body of the People's Republic of China. Upon the occurrence of any of the above events, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

As at 31 December 2018, the circumstances giving rise to the obligations under Rules 13.18 of the Listing Rules continued to exist.

Auditors

KPMG retired as the auditors of the Company and did not seek for re-appointment at 2016 annual general meeting ("2016 AGM") of the Company held on 18 May 2016.

Ernst & Young ("EY") was appointed as the auditors of the Company at the 2016 AGM in place of the retiring auditors KPMG.

EY will retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of EY as auditors of the Company is to be proposed at the forthcoming annual general meeting.

Save as disclosed above, there has been no other change in auditors of the Company in any of the preceding three years.

By order of the Board
China Everbright Limited
Cai Yunge
Chairman
Hong Kong, 28 March 2019

DIRECTORS AND SENIOR MANAGEMENT

DIRECTOR

Dr. Cai Yunge

Chairman

Dr. Cai Yunge, aged 47, is the Chairman of the Board and an Executive Director. He is also the Chairman of the Executive Committee and a Member of the Nomination Committee, the Remuneration Committee and the Strategy Committee of the Board. Dr. Cai is the Deputy General Manager of China Everbright Group Ltd., the Vice-chairman and General Manager of China Everbright Holdings Company Limited, a Non-executive Director of China Everbright Bank Company Limited (stock code: 601818.SH, 6818.HK) ("Everbright Bank") and the Executive Director and Chairman of China Everbright International Limited (stock code: 257.HK). Currently he is the Vice Chairman of The Hong Kong Chinese Enterprises Association. Dr. Cai holds a Master's degree in Business Administration from The University of Warwick, the United Kingdom and a Doctoral degree in Economics from the Financial Research Institute of the People's Bank of China. He holds the title of Senior Economist. Before joining the Company, Dr. Cai had served as the Secretary to the board, the General Manager of Executive Office of Everbright Bank, Deputy Chief of the Development and Reform Commission of Guangdong Province, Division Chief of the General Office and Deputy Division Chief of Banking Supervisory Department II of the China Banking Regulatory Commission. He joined the Board in November 2016.

Mr. Chen Shuang, Justice of the Peace

Chief Executive Officer

Mr. Chen Shuang, JP, aged 51, is an Executive Director and the Chief Executive Officer of the Group. He is also a Member of the Executive Committee and the Strategy Committee of the Board and the Chairman of the Management Decision Committee of the Group. He is responsible for the overall operation of the Group. Mr. Chen is also an Executive Director and Deputy General Manager of China Everbright Holdings Company Limited, the Chairman and an Executive Director of China Aircraft Leasing Group Holdings Limited (stock code: 1848.HK), the Chairman of Everbright Jiabao Co., Ltd. (stock code: 600622.SH) and the Chairman and a Non-executive Director of Kinergy Corporation Ltd. (stock code: 3302.HK). He is currently a member of the Mainland Business Advisory Committee of the Hong Kong Trade Development Council, the Permanent Honorary Chairman of Chinese Financial Association of Hong Kong, the Chairman of Hong Kong Aircraft Leasing and Aviation Finance Association, a Visiting Professor of East China University of Political Science and Law, the Vice-chairman of China Mergers and Acquisitions Association, the Vice-chairman of Chinese Securities Association of Hong Kong, a Member of the Strategic Committee of France China Foundation, a Council Member of Chinese Foundation for Lifeline Express and a Counsellor of Our Hong Kong Foundation. Previously, Mr. Chen was a non-official member of Financial Services Development Council of the HKSAR. Mr. Chen holds a Master of Laws degree from East China University of Political Science and Law and a Diploma in Legal Studies from the HKU School of Professional and Continuing Education. He is a qualified lawyer in the People's Republic of China and a Senior Economist. Prior to joining China Everbright Group, Mr. Chen was the Chief of the Legal Department of Bank of Communications. He has over 26 years of extensive experience in commercial banking and investment banking. He joined the Board in August 2004.

Mr. Tang Chi Chun, Richard

Chief Financial Officer

Mr. Tang Chi Chun, Richard, aged 57, is an Executive Director and the Chief Financial Officer of the Group. He is also a Member of the Executive Committee of the Board and a Member of the Management Decision Committee of the Group. He has overall responsibility for the financial resources planning, allocation, control and reporting, with the focus for efficient and effective implementation of the Group's strategic and operation goals. Mr. Tang is a Non-executive Director of China Aircraft Leasing Group Holdings Limited (stock code: 1848.HK). He was a Director of Everbright Securities Company Limited (stock code: 601788.SH, 6178.HK) from February 2008 to January 2011. Mr. Tang is a Certified Public Accountant and is a graduate of the Accountancy Department, Hong Kong Polytechnic (now known as Hong Kong Polytechnic University). He is a Member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a Founding Member of Hong Kong Business Accountants Association. He has over 30 years of experience in audit, investment, accounting and finance. Since 1990, Mr. Tang had been engaged as head of the financial and operational functions of various international financial institutions. He joined the Group in September 2005 and joined the Board in July 2007.

Mr. Zhang Mingao

Chief Investment Officer

Mr. Zhang Mingao, aged 51, is an Executive Director and the Chief Investment Officer of the Group. He is also a Member of the Executive Committee and the Strategy Committee of the Board and a Member of the Management Decision Committee of the Group. Mr. Zhang was the General Manager of Asset Management Department of China Everbright Bank Company Limited (stock code: 601818.SH, 6818.HK) ("Everbright Bank"). Since Mr. Zhang joined Everbright Bank in 1999, he had served as the Risk Director of Everbright Bank (Suzhou Branch), the Risk Director of SME Department of Everbright Bank (Headquarter) and the President of Everbright Bank (Wuxi Branch). Mr. Zhang holds a Bachelor of Economics degree in Rural Financial Professional from the College of Economics and Trade of Nanjing Agricultural University. He has over 29 years of industry and management experience in the financial industry. He joined the Board in December 2017.

Mr. Yin Lianchen

Chief Investment Officer

Mr. Yin Lianchen, aged 53, is an Executive Director and the Chief Investment Officer of the Group. He is also a Member of the Executive Committee and the Strategy Committee of the Board and a Member of the Management Decision Committee of the Group. Mr. Yin is also a Director of Everbright Securities Company Limited (stock code: 601788.SH, 6178.HK) and a Supervisor of China Everbright Bank Company Limited (stock code: 601818.SH, 6818.HK). He was the Division Chief in the Executive Office of China Everbright (Group) Corporation prior to joining our Group. Mr. Yin was formerly the Vice President of Beijing Yonder Environment Engineering Company Limited and the Chief Representative of China of Moody's KMV. He served as the General Manager of the Human Resources and Corporate Administration Department, the General Manager of Corporate Communications Department and the Managing Director of the Insurance Brokerage Department of the Group successively from 2002 to 2006. He also worked in several key positions in People's Bank of China Headquarter from 1990 to 2001. Mr. Yin holds a Bachelor's degree in Economic Management Professional and a Master's degree in Western Financial Accounting from Tianjin Nankai University. Mr. Yin has rich experience in financial and corporate management. He joined the Board in June 2017.

Dr. Lin Zhijun

Independent Non-executive Director

Dr. Lin Zhijun, aged 64, is an Independent Non-executive Director and the Chairman of the Nomination Committee and Remuneration Committee of the Board. He is also a Member of the Audit and Risk Management Committee and Strategy Committee of the Board. Dr. Lin is the Vice President and the Dean of the School of Business of Macau University of Science and Technology. During August 1998 to December 2014, he was a Professor and Head of the Department of Accountancy and Law in Hong Kong Baptist University. He is also an Independent Non-executive Director of Sinotruk (Hong Kong) Limited (stock code: 3808.HK), SpringLand International Limited (stock code: 1700.HK), Dali Foods Group Company Limited (stock code: 3799.HK), CITIC Dameng Holdings Limited (stock code: 1091.HK) and BOCOM International Holdings Company Limited (stock code: 3329.HK), all of which are listed on The Stock Exchange of Hong Kong Limited. Dr. Lin holds a Master's degree in Science in Accounting from University of Saskatchewan in Canada and a Doctoral degree in Economics (Accounting) from Xiamen University. Dr. Lin worked as a Visiting Professor in The University of Hong Kong and Tenured Professor in the Faculty of Management of Lethbridge University in Canada. He worked at the Toronto office of an international accounting firm (now known as "Deloitte") in 1982-1983. Dr. Lin is also a Member of the American Institute of Certified Public Accountants, the Chinese Institute of Certified Public Accountants and the Australian Institute of Certified Management Accountants. He is a Member of various educational accounting associations. Dr. Lin is also an author of a series of professional articles and books. Dr. Lin joined the Board in September 2005.

Dr. Chung Shui Ming, Timpson, Gold Bauhinia Star, Justice of the Peace

Independent Non-executive Director

Dr. Chung Shui Ming, Timpson, GBS, JP, aged 67, is an Independent Non-executive Director and the Chairman of the Audit and Risk Management Committee of the Board. He is also a Member of the Nomination Committee, the Remuneration Committee and the Strategy Committee of the Board. Dr. Chung is a Member of the National Committee of the 13th Chinese People's Political Consultative Conference. He is also the Pro-Chancellor of City University of Hong Kong. Besides, Dr. Chung is an Independent Non-Executive Director of China Unicom (Hong Kong) Limited (stock code: 762.HK), Glorious Sun Enterprises Limited (stock code: 393.HK), Miramar Hotel and Investment Company, Limited (stock code: 71.HK), China Overseas Grand Oceans Group Limited (stock code: 81.HK), China Construction Bank Corporation (stock code: 939.HK), Jinmao (China) Hotel Investments and Management Limited (stock code: 6139.HK), China Railway Group Limited (stock code: 601390.SH, 390.HK) and Orient Overseas (International) Limited (stock code: 316.HK). Dr. Chung was an Independent Director of China State Construction Engineering Corporation Limited (stock code: 601668.SH) from December 2007 to January 2018. From November 2012 to June 2016, he served as an Independent Non-executive Director of Henderson Land Development Company Limited (stock code: 12.HK). Formerly, Dr. Chung was the Chairman of China Business of Jardine Fleming Holdings Limited and the Deputy Chief Executive Officer of BOC International Limited. He was also the Director-General of Democratic Alliance for the Betterment and Progress of Hong Kong, the Chairman of the Council of City University of Hong Kong, the Chairman of the Hong Kong Housing Society, a Member of the Executive Council of the Hong Kong Special Administrative Region, the Vice Chairman of the Land Fund Advisory Committee of the Hong Kong Special Administrative Region, a Member of the Managing Board of the Kowloon-Canton Railway Corporation, a Member of the Hong Kong Housing Authority and a Member of the Disaster Relief Fund Advisory Committee. Dr. Chung holds a Bachelor of Science degree from The University of Hong Kong and a Master's degree in Business Administration from The Chinese University of Hong Kong. He also received an Honorary Doctoral degree in Social Sciences from City University of Hong Kong in 2010. Dr. Chung is a Fellow Member of the Hong Kong Institute of Certified Public Accountants. He joined the Board in August 2012.

Mr. Law Cheuk Kin, Stephen

Independent Non-executive Director

Mr. Law Cheuk Kin, Stephen, aged 56, is an Independent Non-executive Director and the Chairman of the Strategy Committee of the Board. He is also a Member of the Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee of the Board. Mr. Law is Independent Non-executive Director of Somerley Capital Holdings Limited (stock code: 8439.HK) and Stealth BioTherapeutics Corp. (stock code: MITO.Nasdaq). Mr. Law served as the Finance Director and a member of the Executive Directorate of MTR Corporation Limited (stock code: 66.HK) ("MTR") from July 2013 to July 2016. Prior to joining MTR, he was the Chief Financial Officer of Guoco Group Limited, Hong Kong. Prior to that, Mr. Law had served as the Managing Director of TPG Growth Capital (Asia) Limited and had also held various senior positions in the Morningside Group and the Wheelock Group. He was also previously a Non-executive Director of China NT Pharma Group Company Limited (stock code: 1011.HK) and an Alternate Director in MIE Holdings Corporation (stock code: 1555.HK) until September 2012, and was an Independent Non-executive Director of AAG Energy Holdings Limited (stock code: 2686.HK) from July 2016 to September 2018. Mr. Law is currently the Managing Director of ANS Capital Limited. He is also currently a member of the Board of Directors of SOW (Asia) Foundation and Hong Kong Federation of Invention and a council member of Innovation and Hong Kong Business Accountants Association. He was a council member of the Hong Kong Institute of Certified Public Accountants from 2010 to 2017 and also served as an adjunct professor of the Hong Kong Polytechnic University from 2015 to 2017. He is currently a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Besides, Mr. Law has been appointed by the Ministry of Finance of the People's Republic of China (the "MOF") as an expert consultant to provide advice on finance and management accounting to the MOF. Mr. Law holds a Bachelor's degree in Science (Civil Engineering) from the University of Birmingham, the United Kingdom and also received a Master's degree in Business Administration from the University of Hull, the United Kingdom. He joined the Board in May 2018.

SENIOR MANAGEMENT

Mr. Tsang Sui Cheong, Frederick

Mr. Tsang Sui Cheong, Frederick, aged 59, is the Chief Risk Officer and a Member of the Management Decision Committee of the Group. He is in charge of the Group's risk matters. He is also a Non-executive Director of Kinergy Corporation Ltd. (stock code: 3302.HK) and a Supervisor of Everbright Jiabao Co., Ltd. (stock code: 600622.SH). Mr. Tsang is a Chartered Financial Analyst and was President of The Hong Kong Society of Financial Analysts Limited from 2012 to 2015. Since November 2016, Mr. Tsang was appointed as a Member of the Process Review Panel for the Securities and Futures Commission of Hong Kong (the "SFC"). The appointment has been extended to October 2020. He served as a Member of the Advisory Committee of the SFC from 2011 to 2017. Mr. Tsang was also a Member of The Securities and Futures Appeals Tribunal from 2009 to 2015. He holds a Bachelor's degree in Arts and a Master's degree in Arts, majoring in Economics and Finance. Mr. Tsang joined the Group in February 2000, and has over 34 years of experience in the financial industry.

Ms. Wong Tung Hung

Ms. Wong Tung Hung, aged 50, is the Chief Administration Officer and a Member of Management Decision Committee of the Group, mainly responsible for management of human resources and corporate administration of the Group. She has extensive human resources and administration experience in both China and Hong Kong and has been working in the Group for more than 21 years. She holds a Bachelor's degree in Arts from Fudan University. Prior to joining the Group, Ms. Wong worked in several well-known mass media organizations in both China and Hong Kong.

Mr. Yang Ping

Mr. Yang Ping, aged 49, is the Chief Investment Officer and a Member of Management Decision Committee of the Group. He is in charge of the Asset Management business of Secondary Market Investment of the Group. Previously, he was responsible for the establishment, investment and management of Macquarie Everbright Greater China Infrastructure Fund, Everbright Ashmore China Real Estate Fund and venture capital funds. Before joining the Group, Mr. Yang served as Head of the Research Institute of China Southern Securities Co. Ltd. and a private equity fund in China, where he was responsible for macro-industry and company research and investment of private equity funds, and achieved excellent performance. The restructuring project Xiang Zhong Yi (now renamed as Hunan Investment) led by Mr. Yang was the first ST listed company "full restructuring" case in China and was selected in Top Ten Influential Restructuring Case of 1999 by Securities Times. He obtained a Doctoral degree in Economics from the Graduate School of Shanghai Academy of Social Sciences and a Bachelor's degree in Laws from East China University of Political Science and Law. He has over 22 years' experience in securities research and asset management. Mr. Yang joined the Group in December 2007.

Mr. Pan Ying

Mr. Pan Ying, age 49, is the Chief Investment Officer and a Member of the Management Decision Committee of the Group. He is responsible for Everbright Jiabao and EBA Investment's real estate business and the business of Everbright Prestige Capital and CEL Financial Technology. He also assists in managing Super Project Acquisition Fund Department I & II of the Group. Prior to joining the Group, Mr. Pan worked for the Foreign Exchange Reserve Department of SAFE (China's State Administration of Foreign Exchange), and established SAFE Investment Company, Ltd., a wholly-owned subsidiary of the People's Bank of China based in Hong Kong which managed Hong Kong dollar reserve assets of more than HK$20 billion. Mr. Pan joined Seagate, an asset management company in Los Angeles, United States, in 1998. In 2004, he co-founded SeaBright, where he acted as the Chief Executive Officer, with the Group, launching and managing the Group's Special Opportunities Fund I & II which focused on private equity investment opportunities in China. Mr. Pan has extensive experience in investment. He obtained a Bachelor's degree in Economics from the School of Management of Xi'an Jiaotong University.

Mr. So Hiu Pang, Kevin

Mr. So Hiu Pang, Kevin, aged 43, is the Chief Strategy Officer and a Member of the Management Decision Committee of the Group. He is responsible for corporate strategies, external publicity, corporate branding and investor relations of the Group, as well as providing assistance to the Chief Executive Officer. Mr. So joined the Group since 2006. Prior to joining the Group, he was the head of the General Affairs Division of the Executive Committees Office in China Everbright Holdings Company Limited. Mr. So holds a Master's degree in Business Administration from the Hong Kong Polytechnic University and a Bachelor's degree in Economics from Xiamen University. He was also a member of the third, the fourth and the fifth Election Committee of Hong Kong Special Administrative Region and a member of the twelfth session of All-China Youth Federation. Mr. So has extensive knowledge and experience in the financial industry and management.

COMPANY SECRETARY

Mr. Chan Ming Kin, Desmond

Mr. Chan Ming Kin, Desmond, aged 49, is the General Counsel and Company Secretary and a Member of the Management Decision Committee and the Investment Decision Sub-Committee of the Group. He is in charge of Legal, Compliance and Company Secretarial Department of the Group. He is also a Member of the Board of Directors of Everbright Securities Company Limited (stock code: 601788.SH, 6178.HK). Mr. Chan holds a Bachelor of Laws degree and a Postgraduate Certificate in Laws of The University of Hong Kong. He also holds a Master of Corporate Governance degree of the Hong Kong Polytechnic University. As a qualified solicitor in Hong Kong, Mr. Chan has more than 23 years' experience in private practice and as an in-house counsel. Mr. Chan is also a Fellow of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHINA EVERBRIGHT LIMITED
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Everbright Limited (the "Company") and its subsidiaries (the "Group") set out on pages 133 to 221, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matters *Valuation of Level 3 financial investments*	How our audit addressed the key audit matters
Refer to significant accounting policies in note 2(w), accounting estimates and judgements in note 43(a)(i), and disclosures of fair values of financial instruments in note 40 to the financial statements. The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, in particular those that include significant unobservable inputs, involve management using subjective judgements and assumptions. With different valuation techniques, inputs and assumptions applied, the valuation results can vary significantly. As at 31 December 2018, the Group's financial assets measured at fair value amounted to HK$45,697,173,000, representing 59.1% of the total assets. Financial instruments which had significant unobservable inputs in the valuation, and hence were categorised within Level 3 of the fair value hierarchy, involved a higher degree of uncertainty in their valuation. As at 31 December 2018, 76.9% of the Group's financial assets measured at fair value were categorised within Level 3.	Our audit procedures included, but were not limited to: – Evaluating the design and operating effectiveness of key controls related to the valuation of financial instruments, including independent price verification, independent model validation and approval; – Evaluating assessments made by the Group, with respect to selection of comparable companies, adjustments to the valuation multiples and parameters used in other valuation methods; – Evaluating inputs and assumptions of financial instruments for individually significant items; – Involving our valuation specialists to assist in evaluating the valuation techniques, inputs and assumptions through comparison with the valuation techniques that are commonly used in the market, and the validation of observable inputs using external market data; and – Reviewing of the fair value hierarchy and its related disclosures in note 40 to the financial statements.

KEY AUDIT MATTERS (continued)

Key audit matters *Accounting for unconsolidated structured entities managed by the Group*	How our audit addressed the key audit matters
Refer to significant accounting policies in note 2(c), critical accounting judgements in applying the Group's accounting policies in note 43(b)(i), and disclosures of involvement with unconsolidated structured entities in note 38 to the financial statements. The Group, acting as the general partners or investment managers of a number of structured entities (such as investment funds and collective investment schemes), have certain power to govern the financing and operating policies of these entities. The Group is also exposed to the variability of returns from the performance of these structured entities, through its entitlement to the management fee, performance fee and also its interests in these entities. Whether the Group acts as an agent or a principal in managing these entities requires significant management's judgment. As at 31 December 2018, the carrying value of the interests held by the Group in unconsolidated structured entities managed by the Group amounted to HK$10,084,431,000 was recognised in financial assets at fair value through profit or loss in the consolidated statement of financial position. Given the level of judgement involved in assessing the Group's control over these structured entities, we determined this to be a key audit matter.	Our audit procedures included, but were not limited to: – Reviewing the legal structures and the relevant constituent documents of these structured entities to assess the power held by the Group in making key operating and financing decisions and its exposure to variable returns from these structured entities; – Evaluating the assessment whether the Group acted as an agent or a principal, considered any power held by other parties that enable the removal of the Group as the general partners or investment managers and assessed whether such power and rights are substantive; – Reviewing if any substantive rights held by any other parties in the structured entities in combination with the Group's decision-making power and its level of exposure to the variable returns, constituted control by the Group over these structured entities on a case by case basis; and – Reviewing the Group's disclosures of the unconsolidated structured entities in note 38 to the financial statements.

KEY AUDIT MATTERS (continued)

Key audit matters *Impairment of investments in associates*	How our audit addressed the key audit matters
Refer to significant accounting policies in notes 2(e) and 2(l)(iii), critical accounting judgements in applying the Group's accounting policies in note 43(b)(iii), and disclosures of investments in associates in note 17 to the financial statements. As at 31 December 2018, the Group's carrying value of its investments in Everbright Jiabao Co., Ltd ("Jiabao Group"), an associate of the Group, amounted to HK$3,700,771,000. This included goodwill of HK$1,565,958,000 arising from the acquisition. As at 31 December 2018, there was an indication that the investment in Jiabao Group may be impaired as the carrying value of the net assets of Jiabao Group was more than its market capitalisation. Management has performed an impairment assessment and calculated its value-in-use, using a discounted cash flow model with a forecast compiled by management. In carrying out the impairment assessments, significant judgements and assumptions are required to estimate the value-in-use based on the forecasted future cash flows of the business of Jiabao Group. Management has assessed and concluded that there was no impairment in respect of its investment in Jiabao Group as at 31 December 2018. Given the level of judgement and assumptions involved in the calculation of the value-in-use of Jiabao Group, we determined the impairment of investments in associates, to be a key audit matter.	Our audit procedures included, but were not limited to: – Verifying of the consistency of the data used in the value-in-use calculations against the strategic business plans approved by management of the associate; – Assessing the key assumptions, including the discount rates and growth rates, with reference to market information and the associate's historical data; and – Involving our internal specialists to review the appropriateness of the valuation methodology and the reasonableness of the discount rate and other market data inputs.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit and Risk Management Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Shu Hing.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
28 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Continuing operations			
Turnover	4	9,211,012	8,454,405
Operating income	4	1,644,131	1,766,955
Other net income	4	3,052,256	3,761,710
Staff costs	5	(551,175)	(525,255)
Depreciation and amortisation expenses		(30,948)	(30,960)
Impairment losses	6	(23,704)	(277,997)
Other operating expenses		(460,517)	(379,661)
Profit from operations	6	3,630,043	4,314,792
Finance costs	7	(946,737)	(749,311)
Share of profits less losses of associates	17	583,850	1,300,456
Share of profits less losses of joint ventures	18	117,132	72,018
Profit before taxation		3,384,288	4,937,955
Income tax	9	(380,099)	(853,497)
Profit from continuing operations		3,004,189	4,084,458
Discontinued operations			
Profit from disposal group held for sale	10	6,775	207,604
Profit for the year		3,010,964	4,292,062
Profit attributable to equity shareholders of the Company			
Continuing operations		3,097,142	3,940,738
Discontinued operations		6,775	207,604
		3,103,917	4,148,342
Non-controlling interests		(92,953)	143,720
Profit for the year		3,010,964	4,292,062
Basic and diluted earnings per share	14		
Continuing operations		HK$1.838	HK$2.338
Discontinued operations		HK$0.004	HK$0.123
		HK$1.842	HK$2.461

The notes on pages 139 to 221 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 12.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Profit for the year		3,010,964	4,292,062
Other comprehensive income for the year:			
Items that will not be reclassified subsequently to profit or loss			
– Net movement in investment revaluation reserve of equity investments designated at fair value through other comprehensive income		(950,719)	–
Items that may be reclassified subsequently to profit or loss			
– Net movement in investment revaluation reserve of available-for-sale securities		–	(777,545)
– Share of other comprehensive income and effect of foreign currency translation of associates		(843,158)	819,239
– Share of other comprehensive income and effect of foreign currency translation of joint ventures		(47,331)	39,854
– Other net movement in exchange reserve		(578,986)	450,575
	13	(2,420,194)	532,123
Total comprehensive income for the year		590,770	4,824,185
Attributable to:			
Equity shareholders of the Company		727,096	4,804,364
Non-controlling interests		(136,326)	19,821
Total comprehensive income for the year		590,770	4,824,185

The notes on pages 139 to 221 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	31 December 2018 HK$'000	31 December 2017 HK$'000
Non-current assets			
Property, plant and equipment	15	448,433	465,379
Investment properties	15	446,306	45,600
Amounts due from investee companies	21	–	187,276
Investments in associates	17	17,886,726	19,753,254
Investments in joint ventures	18	1,167,987	916,208
Available-for-sale securities	19	–	12,196,855
Equity investments designated at fair value through other comprehensive income	20	6,561,759	–
Financial assets at fair value through profit or loss	21	36,190,718	24,705,555
Advances to customers	22	1,211,908	–
Other assets		578,293	678,586
		64,492,130	58,948,713
Current assets			
Financial assets at fair value through profit or loss	21	1,371,003	–
Advances to customers	22	986,904	4,350,612
Finance lease receivables		–	21,374
Debtors, deposits and prepayments	23	1,234,888	1,393,768
Trading securities	24	1,573,693	2,116,500
Cash and cash equivalents	25	6,863,902	5,178,356
		12,030,390	13,060,610
Assets classified as held for sale	10	738,244	908,948
		12,768,634	13,969,558
Current liabilities			
Trading securities	24	(136,312)	(130,581)
Bank loans	26	(3,501,739)	(2,611,257)
Creditors, deposits received and accrued charges	27	(3,314,280)	(2,208,123)
Other financial liabilities	28	(241,019)	(266,930)
Notes payable		(27,000)	(57,000)
Bonds payable	29	(3,382,860)	–
Provision for taxation		(336,563)	(667,116)
		(10,939,773)	(5,941,007)
Liabilities classified as held for sale	10	–	(426,502)
		(10,939,773)	(6,367,509)
Net current assets		1,828,861	7,602,049
Total assets less current liabilities		66,320,991	66,550,762

CONSOLIDATED STATEMENT OF FINANCIAL POSITION/*continued*

As at 31 December 2018

	Notes	31 December 2018 HK$'000	31 December 2017 HK$'000
Non-current liabilities			
Bank loans	26	(10,684,234)	(9,374,977)
Other financial liabilities	28	(4,353,828)	(1,262,866)
Notes payable		(30,000)	–
Bonds payable	29	(8,457,150)	(12,414,675)
Deferred tax liabilities	30	(1,415,582)	(1,153,249)
		(24,940,794)	(24,205,767)
NET ASSETS		41,380,197	42,344,995
CAPITAL AND RESERVES			
Share capital	31	9,618,097	9,618,097
Reserves		30,240,565	31,052,314
Total equity attributable to equity shareholders of the Company		39,858,662	40,670,411
Non-controlling interests		1,521,535	1,674,584
TOTAL EQUITY		41,380,197	42,344,995

Approved and authorised for issue by the Board of Directors on 28 March 2019 and signed on behalf of the Board by:

Cai Yunge
Director

Chen Shuang
Director

The notes on pages 139 to 221 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		Attributable to equity shareholders of the Company									
	Notes	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 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)
Dividends paid	12	–	–	–	–	–	–	(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
Impact on transition to HKFRS 9	3	–	–	(1,144,264)	–	–	–	1,144,264	–	–	–
As at 1 January 2018		9,618,097	1,242	6,105,289	(668,499)	(490,190)	1,099,293	25,005,179	40,670,411	1,674,584	42,344,995
Net movement by non-controlling shareholders		–	–	–	–	(89,527)	–	–	(89,527)	(16,723)	(106,250)
Dividends paid	12	–	–	–	–	–	–	(1,449,318)	(1,449,318)	–	(1,449,318)
Profit for the year		–	–	–	–	–	–	3,103,917	3,103,917	(92,953)	3,010,964
Other comprehensive income for the year		–	–	(950,719)	–	(41,561)	(1,384,541)	–	(2,376,821)	(43,373)	(2,420,194)
As at 31 December 2018		9,618,097	1,242	5,154,570	(668,499)	(621,278)	(285,248)	26,659,778	39,858,662	1,521,535	41,380,197

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	41(a)	476,216	(805,590)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(10,172)	(9,220)
Proceeds from disposal of investment properties		17,700	38,260
Proceeds from disposal of property, plant and equipment		220	–
Purchase of available-for-sale securities		–	(22,820)
Purchase of financial assets at fair value through profit or loss		(10,815,911)	(11,823,550)
Increase/(decrease) in other financial liabilities		2,961,455	(1,856,473)
Investments in associates		(23,995)	(1,824,366)
Net cash from losing control of subsidiaries		–	(144,619)
Purchase of disposal group held for sale		(738,244)	–
Net cash from disposal group held for sale		–	379,211
Investments in joint ventures		(202,275)	(345,258)
Proceeds from disposal of available-for-sale securities		–	3,733,557
Proceeds from disposal of financial assets at fair value through profit or loss		6,560,228	7,315,964
Proceeds from partial disposal of an associate		1,230,400	1,091,309
Bank interest received		41,993	69,371
Dividend from investments in equity securities		851,340	596,381
Dividend from associates		450,823	427,977
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		323,562	(2,374,276)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		799,778	(3,179,866)
FINANCING ACTIVITIES			
Issue of shares in subsidiaries to non-controlling shareholders		327,194	263,446
Redemption of shares by non-controlling shareholders		(6,664)	(7,907)
Proceeds from bank loans		15,393,071	15,987,449
Proceeds from issue of bonds payable		–	2,955,875
Repayment of bank loans		(13,168,048)	(14,698,806)
Dividends paid to non-controlling shareholders		(192,326)	(850,587)
Dividends paid		(1,449,318)	(1,263,940)
NET CASH INFLOW FROM FINANCING ACTIVITIES		903,909	2,385,530
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,703,687	(794,336)
CASH AND CASH EQUIVALENTS			
Beginning of year		5,178,356	5,959,534
Exchange rate adjustments		(18,141)	13,158
End of year	25	6,863,902	5,178,356

The notes on pages 139 to 221 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES

China Everbright Limited (the "Company") is incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited. The Company considers Honorich Holdings Limited, a company incorporated in the British Virgin Islands, to be the immediate holding company of the Company and Central Huijin Investment Ltd. ("Huijin"), to be the ultimate holding company of the Company. Huijin is a state-owned investment company incorporated in accordance with China's Company Law. Huijin, was established in December 2003 and mandated to exercise the rights and the obligations as an investor in major state-owned financial enterprises, on behalf of the State. In September 2007, the Ministry of Finance issued special treasury bonds and acquired all the shares of Huijin from the People's Bank of China. The acquired shares were injected into China Investment Corporation ("CIC") as part of its initial capital contribution. However, Huijin's principal shareholder rights are exercised by the State Council. The members of Huijin's Board of Directors and Board of Supervisors are appointed by and are accountable to the State Council. No financial statements were prepared by these companies available for public use.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint ventures.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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.

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

(c) Subsidiaries and non-controlling interests

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

(d) Associates and joint ventures

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

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

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

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and further losses are not recognised except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest in the investee is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

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

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

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

(f) Investments and other financial assets

(i) Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments and other financial assets (continued)

(i) Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments and other financial assets (continued)

(i) Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(ii) Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments and other financial assets (continued)

(ii) Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) (continued)

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

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

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

(g) Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

– the rights to receive cash flows from the asset have expired; or

– the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Investment properties

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

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

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

(i) Other property and equipment

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

– interests in leasehold land held for own use;

– buildings held for own use which are situated on leasehold land, where the fair value could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(k)); and

– other items of equipment comprising leasehold improvements, furniture, fixtures and equipment, and motor vehicles.

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

(j) Depreciation

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

– Interest in leasehold land held for own use under operating leases is depreciated over the unexpired terms of leases

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired terms of leases and their estimated useful lives, being not more than 50 years after the date of purchase

– Leasehold improvements	5 years
– Furniture, fixtures and equipment	5 years
– Motor vehicles	5 years

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased assets

(i) Classification of assets leased to the Group

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

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

(ii) Finance lease

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

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

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

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

(iii) Operating lease charges

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets

(i) Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

General approach

For other financial assets recognised at amortised cost, ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(ii) Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

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

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect of the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

– For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables, finance lease receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

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

– For available-for-sale securities, the cumulative loss that had been recognised in the investment revaluation reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

– Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in the investment revaluation reserve.

– Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(ii) Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) (continued)

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

(iii) Impairment of other assets

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

– Property and equipment (other than properties carried at revalued amount);

– Pre-paid interests in leasehold land classified as being held under an operating lease;

– Intangible assets;

– Investments in subsidiaries, associates and joint ventures in the Company's statement of financial position; and

– Goodwill.

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

Calculation of recoverable amount

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

Recognition of impairment losses

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(iii) Impairment of other assets (continued)

Reversals of impairment losses

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

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

(m) Accounts receivable and other receivables

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

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

(n) Financial liabilities

(i) Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9 applicable from 1 January 2018 or HKAS 39 applicable before 1 January 2018. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial liabilities (continued)

(i) Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) (continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

(ii) Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

(o) Cash and cash equivalents

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

(p) Employee benefits

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

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

(ii) Termination benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

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

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

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

(r) Provisions and contingent liabilities

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

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

(s) Revenue recognition

(i) Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue recognition (continued)

(i) Revenue recognition (applicable from 1 January 2018) (continued)

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Provision of consultancy and management services

Revenue from the provision of consultancy and management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(ii) Revenue recognition (applicable before 1 January 2018)

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

Consultancy and management fee income

Consultancy and management fees are recognised when services are rendered.

Sale of trading securities

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue recognition (continued)

(ii) Revenue recognition (applicable before 1 January 2018) (continued)

Rental income from finance leases

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

Rental income from operating leases

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

Dividend income

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

Interest income

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

(t) Translation of foreign currencies

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Borrowing costs

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

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

(i) Non-current assets held for sale

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

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

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

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

(ii) Discontinued operations

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

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

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

– the post-tax profit or loss of the discontinued operation; and

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

(x) Related parties

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

(a) A person, or a close member of that person's family, is related to the Group if that person:

 (i) has control or joint control over the Group;

 (ii) has significant influence over the Group; or

 (iii) is a member of the key management personnel of the Group or the Group's parent.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(y) Segment reporting

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

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

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

The nature and the impact of the new and revised HKFRSs amendments are described below:

HKFRS 15 and its amendments replace HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers.

As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2(s)(i) to the financial statements.

The application of HKFRS 15 has no significant impact on the Group's financial statements.

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, where the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's ECLs is not significant to the Group's financial statements.

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

Financial assets	Original classification category under HKAS 39	New classification category under HKFRS 9	Original carrying amount under HKAS 39 HK$'000	New carrying amount under HKFRS 9 HK$'000
Equity investments designated at fair value through other comprehensive income	Available-for-sale financial assets	Fair value	7,512,478	7,512,478
Financial assets at fair value through profit or loss	Available-for-sale financial assets	Fair value	4,684,377	4,684,377
Financial assets at fair value through profit or loss	Amounts due from investee companies (Amortised cost)	Fair value	187,276	187,276

4. 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:

	2018 HK$'000	2017 HK$'000
Operating income		
Revenue from contracts with customers, recognised over time		
Consultancy and management fee income	561,181	506,760
Revenue from other sources		
Interest income on financial assets not at fair value through profit or loss		
– bank deposits	41,993	69,371
– advances to customers	303,753	294,558
– unlisted debt securities	41,056	34,305
Dividend income		
– listed investments	397,360	214,457
– unlisted investments	452,477	361,554
Net realised gain/(loss) on trading securities		
– equity securities	(25,341)	184,019
– debt securities	(7,288)	3,457
– derivatives	9,852	(201)
Net unrealised gain/(loss) on trading securities		
– equity securities	(77,065)	83,437
– debt securities	(34,650)	7,917
– derivatives	(21,416)	1,634
Rental income from investment properties	1,953	2,851
Rental income from finance leases	266	2,836
	1,644,131	1,766,955
Other net income		
Net realised gain on disposal of available-for-sale securities	–	2,058,420
Net realised gain on disposal of financial assets at fair value through profit or loss	1,313,401	309,216
Net realised loss on discharge of financial liabilities at fair value through profit or loss	–	(202,996)
Changes in unrealised profit or loss on financial assets at fair value through profit or loss	1,359,547	1,172,703
Realised gain on partial disposal of an associate	88,631	293,503
Net surplus on revaluation of investment properties	194,051	4,800
Gain on losing control of subsidiaries	–	60,384
Gain on disposal of property, plant and equipment	220	–
Gain on disposal of investment properties	600	360
Reversal of impairment loss on debtors, deposits and prepayments	–	5,657
Reversal of impairment loss on advances to customer	3,670	–
Net exchange loss	(15,476)	(33,929)
Others	107,612	93,592
	3,052,256	3,761,710

5. STAFF COSTS

	2018 HK$'000	2017 HK$'000
Salaries, bonuses and allowances	511,362	489,440
Staff welfare and insurance	24,438	24,153
Staff training and recruitment	12,318	8,756
Pension costs – mandatory provident fund and defined contribution plans	3,057	2,906
	551,175	525,255

6. PROFIT FROM OPERATIONS

Profit from operations is stated after charging the following:

	2018 HK$'000	2017 HK$'000
Operating lease rentals in respect of rented premises	44,948	17,839
Auditor's remuneration	12,515	10,848
Impairment losses on:		
– Available-for-sale securities	–	203,247
– Amount due from an investee company	–	3,423
– Advances to customers	–	37,605
– Debtors, deposits and prepayments	23,704	33,722
	23,704	277,997

7. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank loans and other borrowings	946,737	749,311

The effective interest rate of bank loans and other borrowings was approximately 3.47% (2017: 3.32%) per annum as of 31 December 2018.

8. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments:

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

For the year ended 31 December 2018

	The Group					An associate	The Group and an associate
	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	2018 Total HK$'000	Discretionary bonuses and other benefits in kind HK$'000	2018 Total HK$'000
Executive directors							
Cai Yunge	–	–	–	–	–	–	–
Chen Shuang	–	3,353	4,239	130	7,722	5,078	12,800
Tang Chi Chun, Richard	–	2,364	4,876	18	7,258	235	7,493
Zhang Mingao	–	1,985	4,089	–	6,074	–	6,074
Yin Lianchen	–	1,957	4,014	63	6,034	–	6,034
Non-executive directors							
Tang Shuangning (note 1)	–	–	–	–	–	–	–
Independent non-executive directors							
Chung Shui Ming, Timpson	200	283	–	–	483	–	483
Seto Gin Chung, John (note 2)	75	53	–	–	128	–	128
Lin Zhijun	200	245	–	–	445	–	445
Law Cheuk Kin, Stephen (note 3)	125	191	–	–	316	–	316
	600	10,431	17,218	211	28,460	5,313	33,773

Notes:

1. Mr. Tang Shuangning resigned as Non-executive Director of the Company with effect from 16 March 2018.

2. Mr. Seto Gin Chung, John resigned as the Independent Non-executive Director of the Company with effect from 17 May 2018.

3. Mr. Law Cheuk Kin, Stephen was appointed as the Independent Non-executive Director of the Company with effect from 17 May 2018.

8. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (continued)

(a) Directors' emoluments: (continued)

For the year ended 31 December 2017

	The Group					An associate	The Group and an associate
	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	2017 Total HK$'000	Discretionary bonuses and other benefits in kind HK$'000	2017 Total HK$'000
Executive directors							
Cai Yunge	–	–	–	–	–	–	–
Chen Shuang	–	3,374	4,726	123	8,223	5,402	13,625
Tang Chi Chun, Richard	–	2,414	4,934	18	7,366	632	7,998
Zhang Mingao (note 1)	–	152	200	–	352	–	352
Yin Lianchen (note 2)	–	2,071	4,453	60	6,584	–	6,584
Non-executive directors							
Tang Shuangning	–	–	–	–	–	–	–
Independent non-executive directors							
Chung Shui Ming, Timpson	200	298	–	–	498	–	498
Seto Gin Chung, John	200	274	–	–	474	–	474
Lin Zhijun	200	274	–	–	474	–	474
	600	8,857	14,313	201	23,971	6,034	30,005

Note 1: Mr. Zhang Mingao was appointed as the Executive Director of the Company with effect from 14 December 2017.

Note 2: Mr. Yin Lianchen was appointed as the Executive Director of the Company with effect from 15 June 2017.

8. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (continued)

(b) Five highest paid individuals' emoluments

	2018 HK$'000	2017 HK$'000
Salaries and other emoluments	15,103	14,666
Bonuses	57,130	80,552
Retirement scheme contributions	202	268
	72,435	95,486

	2018	2017
Number of directors	1	1
Number of employees	4	4
	5	5

Their emoluments were within the following bands:

	Number of individuals	
	2018	2017
HK$8,500,001 to HK$9,000,000	2	–
HK$9,000,001 to HK$9,500,000	–	1
HK$9,500,001 to HK$10,000,000	1	–
HK$11,000,001 to HK$11,500,000	–	1
HK$12,500,001 to HK$13,000,000	1	–
HK$13,500,001 to HK$14,000,000	–	1
HK$17,000,001 to HK$17,500,000	–	1
HK$32,500,001 to HK$33,000,000	1	–
HK$44,000,001 to HK$44,500,000	–	1
	5	5

During the year, no emoluments were paid to the five highest paid individuals (including directors and employees) as an inducement to join the Group or as compensation for loss of office (2017: Nil).

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

9. INCOME TAX

The provision for Hong Kong profits tax is calculated at 16.5% (2017: 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:

	2018 HK$'000	2017 HK$'000
Continuing operations		
Current taxation		
– Hong Kong profits tax	46,426	97,574
– Overseas taxation	247,384	660,422
– Over provision of taxation in prior years	(177,597)	(182,274)
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	263,886	277,775
Income tax	380,099	853,497

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

	2018 HK$'000	2017 HK$'000
Continuing operations		
Profit before taxation	3,384,288	4,937,955
Calculated at the rates applicable to profits in the tax jurisdictions concerned	743,400	893,953
Tax effect of income not subject to taxation	(619,501)	(283,917)
Tax effect of expenses not deductible for taxation purposes	370,861	221,103
Tax effect of utilisation of previously unrecognised losses	(30,747)	(1,816)
Tax effect of tax losses and other deductible temporary differences not recognised	93,683	206,448
Over provision of taxation in prior years	(177,597)	(182,274)
Income tax	380,099	853,497

10. DISCONTINUED OPERATIONS

On 5 May 2018, the Group acquired an associate with 22.4% equity interests with a view to hold it for resale within one year. The Group has disposed a part of the equity interest during the year ended 31 December 2018. The aforesaid investee is a developer, manufacturer and marketer of medical devices. As at 31 December 2018, the carrying amount of the equity interest is HK$738,244,000.

As at 31 December 2018, the Group classified the above investment as an asset held for sale. The above equity interest meets 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. The equity interest was exempted from using equity method. It was measured at the lower of carrying amount and fair value less costs to sell.

As at 31 December 2017, the Group classified equity interest in Tirana International Airport SHPK and Everbright Overseas Infrastructure Investment Fund LP ("EBOIIF") as disposal group held for sale, with a view to hold them for resale within one year. On 20 March 2018, due to change in governing structure in EBOIIF, the Group had lost its control. Consequently, the Group deconsolidated its interest in EBOIIF from the Group and reclassified the investment as a financial asset at fair value through profit or loss.

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Net profit for the year of the Company of approximately HK$1,533,887,000 (2017: approximately HK$1,897,641,000) has been dealt with in the financial statements of the Company.

12. DIVIDENDS

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

	2018 HK$'000	2017 HK$'000
– Interim dividend declared and paid of HK$0.26 (2017: HK$0.25) per share	438,166	421,313
– Final dividend proposed after the end of the reporting period date of HK$0.4 (2017: HK$0.6) per share	674,101	1,011,152
	1,112,267	1,432,465

The Board of Directors proposed a final dividend of HK$0.4 per share for the year ended 31 December 2018 (2017: HK$0.6 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

	2018 HK$'000	2017 HK$'000
– Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.6 (2017: HK$0.5) per share	1,011,152	842,627

13. OTHER COMPREHENSIVE INCOME

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

	2018 Before tax amount HK$'000	2018 Tax credit HK$'000	2018 Net of tax amount HK$'000	2017 Before tax amount HK$'000	2017 Tax credit HK$'000	2017 Net of tax amount HK$'000
Net movement in investment revaluation reserve of available-for-sale securities	–	–	–	(1,021,654)	244,109	(777,545)
Net movement in investment revaluation reserve of equity investments designated at fair value through other comprehensive income	(950,719)	–	(950,719)	–	–	–
Share of other comprehensive income and effect of foreign currency translation of associates	(843,158)	–	(843,158)	819,239	–	819,239
Share of other comprehensive income and effect of foreign currency translation of joint ventures	(47,331)	–	(47,331)	39,854	–	39,854
Exchange reserve	(578,986)	–	(578,986)	450,575	–	450,575
	(2,420,194)	–	(2,420,194)	288,014	244,109	532,123

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

	2018 HK$'000	2017 HK$'000
Available-for-sale securities:		
Changes in fair value recognised during the year, net of tax	–	1,077,628
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal	–	(2,058,420)
– impairment losses	–	203,247
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value recognised during the year, net of tax	(950,719)	–
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	(950,719)	(777,545)

14. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the year ended 31 December 2018 is based on the profit attributable to equity shareholders of the Company for continuing and discontinued operations of HK$3,097,142,000 and HK$6,775,000 respectively, (2017: for continuing and discontinued operations of HK$3,940,738,000 and HK$207,604,000 respectively) and the weighted average number of 1,685,253,712 shares (2017: 1,685,253,712 shares) in issue during the year.

15. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

	Interests in leasehold land held for own use under operating leases HK$'000	Buildings held for own use carried at cost HK$'000	Leasehold improvements HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Total HK$'000	Investment properties HK$'000
Cost or valuation:						
As at 1 January 2017	456,583	76,851	48,494	69,345	651,273	78,700
Additions	–	–	775	8,445	9,220	–
Disposals	–	–	(155)	(20)	(175)	(37,900)
Surplus on revaluation	–	–	–	–	–	4,800
Exchange adjustments	–	–	–	530	530	–
As at 31 December 2017	456,583	76,851	49,114	78,300	660,848	45,600
Representing:						
Cost	456,583	76,851	49,114	78,300	660,848	–
Professional valuation	–	–	–	–	–	45,600
	456,583	76,851	49,114	78,300	660,848	45,600
As at 1 January 2018	456,583	76,851	49,114	78,300	660,848	45,600
Additions	–	–	6,678	3,494	10,172	223,755
Disposals	–	–	–	(3,215)	(3,215)	(17,100)
Surplus on revaluation	–	–	–	–	–	194,051
Exchange adjustments	29,351	(14,997)	(20,910)	2,399	(4,157)	–
As at 31 December 2018	485,934	61,854	34,882	80,978	663,648	446,306
Representing:						
Cost	485,934	61,854	34,882	80,978	663,648	–
Professional valuation	–	–	–	–	–	446,306
	485,934	61,854	34,882	80,978	663,648	446,306

15. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (continued)

(a) Reconciliation of carrying amount (continued)

	Interests in leasehold land held for own use under operating leases HK$'000	Buildings held for own use carried at cost HK$'000	Leasehold improvements HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Total HK$'000	Investment properties HK$'000
Accumulated depreciation:						
As at 1 January 2017	65,206	17,268	40,299	53,124	175,897	–
Charge for the year	6,933	1,795	2,340	8,068	19,136	–
Written back on disposal	–	–	–	(11)	(11)	–
Exchange adjustments	–	–	–	447	447	–
As at 31 December 2017 and 1 January 2018	72,139	19,063	42,639	61,628	195,469	–
Charge for the year	6,885	3,379	3,338	6,346	19,948	–
Written back on disposal	–	–	–	(3,215)	(3,215)	–
Exchange adjustments	27,536	(5,206)	(20,909)	1,592	3,013	–
As at 31 December 2018	106,560	17,236	25,068	66,351	215,215	–
Net book value:						
As at 31 December 2018	379,374	44,618	9,814	14,627	448,433	446,306
As at 31 December 2017	384,444	57,788	6,475	16,672	465,379	45,600

(b) The Group's interests in leasehold land and buildings and investment properties situated in Hong Kong and mainland China were appraised as at 31 December 2018 by RHL Appraisal Limited and Cushman & Wakefield, independent professional valuers who have among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. These properties were appraised on an open market basis and investment properties are carried in the consolidated statement of financial position at market value.

As at 31 December 2018, had the Group's interests in leasehold land and buildings, which were carried at cost less accumulated depreciation, been carried at fair value, their carrying amount would have been HK$1,405,526,000 (2017: HK$1,308,976,000).

Investment properties of HK$28,600,000 (2017: HK$45,600,000) of the Group are rented out under operating leases, of which none of the investment properties (2017: HK$16,500,000) are rented to a fellow subsidiary. HK$417,706,000 (2017: HK$Nil) are under construction and will be rented out upon completion of construction.

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

15. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (continued)

(c) The analysis of the net book value of properties is as follows:

	2018 HK$'000	2017 HK$'000
Held in Hong Kong		
– on long-term lease	273,890	276,645
– on medium-term lease	16,600	33,600
	290,490	310,245
Held outside Hong Kong		
– on medium-term lease	579,808	177,587
	870,298	487,832

(d) Fair value measurement of properties

(i) Fair value hierarchy

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

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

		Fair value measurements categorised into		
	Fair value HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Investment properties:				
As at 31 December 2018	446,306	–	–	446,306
As at 31 December 2017	45,600	–	–	45,600

During the year ended 31 December 2018, there were no transfers into or out of Level 3 (2017: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

15. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (continued)

(d) Fair value measurement of properties (continued)

(ii) Information about Level 3 fair value measurements

	Valuation technique	Unobservable input	Range
Investment properties – Hong Kong	Direct comparison approach	Premium (discount) on characteristic of the properties	-24% to 20% (2017: -16.7% to 21%)
Investment properties – The PRC	Hypothetical development method	Value of property	-13.41% to 6.19%
	Cost approach	Land price	-5.58% to 16.99%

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

The fair value of investment properties under construction in PRC is determined by combined impact of hypothetical development method and the cost approach, and uses market basis assuming sale upon completion of construction by making reference to comparable sales evidence. The valuations take into account the estimated construction cost and characteristics of the properties which included the location, size, floor level, years to complete and other factors collectively. Higher premiums for properties with better characteristics will result in a higher fair value measurement.

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

	2018 HK$'000	2017 HK$'000
Investment properties		
At 1 January	45,600	78,700
Additions	223,755	–
Disposal	(17,100)	(37,900)
Net surplus on revaluation of investment properties	194,051	4,800
At 31 December	446,306	45,600

Net surplus on revaluation of investment properties is recognised as part of the "other net income" (note 4) in the consolidated statement of profit or loss.

16. INVESTMENTS IN SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ operation	Class of shares	Particulars of issued and paid up capital	Percentage of equity interest held by the Company	Principal activities
CEL Venture Capital (Shenzhen) Limited	The PRC	Not applicable	HK$4,770,000,000	100%	Provision of investment advisory services and investment
CEL Management Services Limited	Hong Kong	Ordinary	2 Shares HK$2	100%	Provision of management services
CEL (Secretaries) Limited	Hong Kong	Ordinary	2 Shares HK$2	100%	Provision of secretarial services
China Everbright Assets Management Limited	Hong Kong	Ordinary	5,000,000 Shares HK$5,000,000	100% [1]	Provision of asset management services
Everbright Capital Management Limited	Hong Kong	Ordinary	7,000,000 Shares HK$7,000,000	100% [1]	Provision of asset management services
China Everbright Finance Limited	Hong Kong	Ordinary	100,000,000 Shares HK$100,000,000	100% [1]	Money lending
China Everbright Financial Investments Limited	Hong Kong	Ordinary	1,000,000 Shares HK$1,000,000	100% [1]	Investment
China Everbright Industrial Investment Holdings Limited	Cayman Islands	Ordinary	10,000 Shares US$10,000	100%	Investment
China Everbright Investment Management Limited	Hong Kong	Ordinary	1,000,000 Shares HK$1,000,000	100%	Provision of investment management services
China Special Opportunities Fund, L.P.	Cayman Islands	Not applicable	Not applicable	50% [1]	Investment
Everbright New Industries Capital Company Limited	The PRC	Not applicable	RMB160,000,000	70%	Project investment
Everbright San Shan Capital Management Company Limited	The PRC	Not applicable	RMB30,000,000	51%	Provision of asset management services

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares	Particulars of issued and paid up capital	Percentage of equity interest held by the Company	Principal activities
Fortunecrest Investment Limited	British Virgin Islands	Ordinary	1 Share US$1	100% [1]	Property investment
Janco Development Limited	Hong Kong	Ordinary	2 Shares HK$2	100%	Property investment
Solidpole Limited	Hong Kong	Ordinary	2 Shares HK$2	100%	Investment holding
Well Logic Investment Limited	Hong Kong	Ordinary	2 Shares HK$2	100% [1]	Property investment
深圳市光控投資諮詢有限公司	The PRC	Not applicable	RMB10,000,000	100% [1]	Provision of consultancy services
Everbright Venture Capital Jiangyin Company Limited	The PRC	Not applicable	RMB259,000,000	53.39% [1]	Venture capital
光大匯益偉業投資管理(北京)有限公司	The PRC	Not applicable	RMB45,300,000	100% [1]	Project investment
光大控股(江蘇)投資有限公司	The PRC	Not applicable	US$100,000,000	100%	Investment
宜興光控投資有限公司	The PRC	Not applicable	RMB600,000,000	100% [1]	Project investment
重慶光控股權投資管理有限公司	The PRC	Not applicable	RMB100,000,000	100% [1]	Fund management
光控廣域投資(上海)合伙企業(有限合伙)	The PRC	Not applicable	RMB183,000,000	74.40% [1]	Investment
光大控股(青島)投資有限公司	The PRC	Not applicable	US$78,000,000	100%	Investment
成都光控西部創業投資有限公司	The PRC	Not applicable	RMB423,000,000	100% [1]	Investment
上海光控嘉鑫股權投資管理有限公司	The PRC	Not applicable	RMB50,000,000	100% [1]	Fund management
成都光控安鑫股權投資基金管理有限公司	The PRC	Not applicable	RMB10,000,000	100% [1]	Fund management
青島光控低碳新能股權投資有限公司	The PRC	Not applicable	RMB650,000,000	76.92% [1]	Investment

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares	Particulars of issued and paid up capital	Percentage of equity interest held by the Company	Principal activities
青島光控新產業股權投資管理有限公司	The PRC	Not applicable	RMB10,000,000	100% [1]	Investment
光大控股(青島)融資租賃有限公司	The PRC	Not applicable	US$30,000,000	100% [1]	Investment
上海光控股權投資管理有限公司	The PRC	Not applicable	RMB600,000,000	100% [1]	Fund management
China Everbright Structured Investment Management Limited	Hong Kong	Ordinary	5,000,000 Shares HK$5,000,000	100% [1]	Investment
CEL Israel Holdings Limited	British Virgin Islands	Ordinary	1 Share US$1	100% [1]	Investment holding
China Everbright Global Investment Advisors Company Limited	Hong Kong	Ordinary	5,000,000 Shares HK$5,000,000	100% [1]	Provision of advisory services
Everbright Hero GP Limited	Cayman Islands	Ordinary	1 Share US$1	100%[1]	Fund management
Everbright Hero, L.P.	Cayman Islands	Not applicable	Not applicable	90.16%[1]	Investment
光控投資管理(上海)有限公司	The PRC	Not applicable	RMB200,000,000	100%[1]	Provision of investment management services
光大融資租賃(上海)有限公司	The PRC	Not applicable	US$50,000,000	100%[1]	Provision of leasing services
CEL Media Investment Limited	Hong Kong	Ordinary	1 Share HK$1	100%[1]	Investment
Neo Modern Limited	British Virgin Islands	Ordinary	1 Share US$1	100%[1]	Investment holding
Diamond Wealth Global Limited	British Virgin Islands	Ordinary	100 Shares US$100	100%[1]	Investment holding
Pioneer Act Investments Limited	British Virgin Islands	Ordinary	1 Share US$1	100%[1]	Investment holding

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares	Particulars of issued and paid up capital	Percentage of equity interest held by the Company	Principal activities
CEL Global Investment LP Limited	Cayman Islands	Ordinary	1 Share US$1	100%[1]	Investment holding
China Everbright Senior Healthcare Company Limited	Hong Kong	Ordinary	100 Shares HK$100	97%[1]	Investment
珠海光浦益投投資合夥企業（有限合夥）	The PRC	Not applicable	Not applicable	100%[1]	Investment
海門光控健康養老產業投資合夥企業(有限合夥)	The PRC	Not applicable	Not applicable	69.40%[1]	Investment
CEL Elite Limited	Hong Kong	Ordinary	1 Share HK$1	100%[1]	Treasury management
上海光控浦益股權投資管理有限公司	The PRC	Not applicable	RMB310,000,000	100%[1]	Fund management
China Golden Opportunities Fund III, L.P.	Cayman Islands	Not applicable	Not applicable	75.09%[1]	Investment
CEL New Economy Fund, L.P.	Cayman Islands	Not applicable	Not applicable	75.79%[1]	Investment
湖南光控星宸股權投資合夥企業（有限合夥）	The PRC	Not applicable	Not applicable	50.98%[1]	Investment
江蘇溧陽光控股權投資合夥企業（有限合夥）	The PRC	Not applicable	Not applicable	50%[1]	Investment

(1) Subsidiaries held indirectly.

The list of subsidiaries above included certain consolidated structured entities of which the Group has capital commitment of HK$2,506,990,000 (2017: HK$85,951,000) to provide capital to support the operating and investing activities. The Group has no intention and did not provide any other financial support to these consolidated structured entities during the year.

17. INVESTMENTS IN ASSOCIATES

(a) Investments in associates

	2018 HK$'000	2017 HK$'000
Share of net assets	16,320,768	18,176,492
Goodwill	1,565,958	1,576,762
	17,886,726	19,753,254
Market value of shares listed in mainland China	11,864,929	22,531,687
Market value of shares listed in Hong Kong	1,821,704	1,857,179

(b) As at 31 December 2018, 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)	21.30% (note 2)
China Aircraft Leasing Group Holdings Limited## ("CALGH")	Cayman Islands	Investment holding (note 3)	34.05%* (note 4)
光大嘉寶股份有限公司### ("Jiabao Group")	The PRC	Real estate development/real estate asset management (note 5)	29.17%*

Market value of the listed shares in mainland China as at 31 December 2018 was equivalent to HK$9,713,694,000 (2017: HK$17,032,571,000).

Market value of the listed shares in Hong Kong as at 31 December 2018 was HK$1,821,704,000 (2017: HK$1,857,179,000).

Market value of the listed shares in mainland China as at 31 December 2018 was equivalent to HK$2,151,235,000 (2017: HK$5,499,116,000).

* 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 23.30% to 21.30% during the year due to partial disposal of the shares of Everbright Securities. A realised gain on that partial disposal of associates amounting to HK$88,631,000 was recognised in the consolidated statement of profit or loss.

Note 3: CALGH is an associate of the Group to capture multiple opportunities along the aircraft value chain arising from the rapid growth of 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: The Group's equity interest increased from 33.56% to 34.05% during the year due to acquisition of the shares of CALGH.

Note 5: Jiabao Group is the Group's strategic industry investment to capitalise on the growth of real estate development and asset management in mainland China.

17. INVESTMENTS IN ASSOCIATES (continued)

(b) As at 31 December 2018, particulars of the principal associates of the Group are as follows: (continued)

For the year ended 31 December 2018, Everbright Securities has recorded an after tax profit of RMB244 million (2017: RMB3,127 million) and the Group's share of profit under the equity method, amounted to HK$60 million (2017: HK$835 million).

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

(c) Supplementary financial information of the principal associates

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

	Everbright Securities	
	2018 HK$'000	2017 HK$'000
Gross amounts of the associate		
Current assets	194,359,759	210,422,428
Non-current assets	40,493,799	35,853,112
Current liabilities	(113,221,690)	(145,854,617)
Non-current liabilities	(65,985,016)	(40,578,805)
Non-controlling interests	(1,774,508)	(1,730,754)
Equity attributable to equity shareholders of the associate	53,872,344	58,111,364
Operating income	8,960,278	11,383,868
Profit from operations	283,307	3,633,831
Other comprehensive income	(496,619)	(951,935)
Total comprehensive income	(213,312)	2,681,896
Dividend received from the associate	240,294	258,701
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	53,872,344	58,111,364
Group's effective interest	21.3%	23.30%
Group's share of net assets of the associate	11,476,894	13,542,889
Carrying amount in the Group's consolidated financial statements	11,476,894	13,542,889

Aggregate information of the associates that are not individually material:

	2018 HK$'000	2017 HK$'000
Aggregate carrying amount of associates that are not individually material in the consolidated statement of financial position	6,409,832	6,210,365
Aggregate amounts of the Group's share of those associates':		
Profit for the year	523,957	465,165
Other comprehensive income	(141,337)	97,677
Total comprehensive income	382,620	562,842

18. INVESTMENTS IN JOINT VENTURES

(a) Investments in joint ventures

	2018 HK$'000	2017 HK$'000
Carrying value, net	1,167,987	916,208

(b) As at 31 December 2018, 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	Assets management service (note 3)	RMB960,000,000	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 a joint venture of the Group to provide assets management service to an industrial sector investment fund in mainland China.

All of the above joint ventures are unlisted corporate entities whose quoted market prices were not available as at 31 December 2018. They are accounted for using the equity method in the consolidated financial statements.

18. INVESTMENTS IN JOINT VENTURES (continued)

(b) As at 31 December 2018, details of the Group's principal investments in joint ventures are as follows: (continued)

Aggregate information of joint ventures that are not individually material:

	2018 HK$'000	2017 HK$'000
Aggregate carrying amount of joint ventures that are not individually material in the consolidated statement of financial position	1,167,987	916,208
Aggregate amounts of the Group's share of those joint ventures':		
Profit for the year	117,132	72,018
Other comprehensive income	(47,331)	39,854
Total comprehensive income	69,801	111,872

19. AVAILABLE-FOR-SALE SECURITIES

	2018 HK$'000	2017 HK$'000
At fair value:		
Listed equity securities		
– in Hong Kong	–	346,808
– outside Hong Kong	–	9,371,810
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	–	2,478,237
	–	12,196,855

As at 31 December 2017, the Group's investments in listed equity securities with fair values of HK$1,304,625,000 were subject to a lock-up provision and such investments were classified as Level 3 of the fair value hierarchy (note 40).

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 losses of HK$203,247,000 were charged to the consolidated statement of profit or loss.

	2018 HK$'000	2017 HK$'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
– outside Hong Kong	–	470,132
Unlisted equity securities	–	461,187
	–	1,278,127

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 HK$'000	2017 HK$'000
At fair value:		
Listed equity securities		
– outside Hong Kong	6,561,759	–

At 1 January 2018, the Group designated the investment in China Everbright Bank Company Limited ("China Everbright Bank") at fair value through other comprehensive income because the Group intends to hold for the long-term strategic purposes. In 2017, this investment was classified as available-for-sale securities.

No strategic investment was disposed of during the year ended 31 December 2018, and there were no transfers of any cumulative gain or loss within equity relating to this investment.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Non-current assets		
At fair value:		
Listed equity securities		
– in Hong Kong	954,610	–
– outside Hong Kong	1,871,311	509,407
Unlisted equity securities/collective investment schemes (i)		
– outside Hong Kong	28,224,626	20,320,306
Unlisted convertible preference shares (i)		
– outside Hong Kong	4,628,940	2,008,098
Unlisted debt securities (i)		
– outside Hong Kong	511,231	1,867,744
	36,190,718	24,705,555
Current assets		
At fair value:		
Unlisted equity securities/collective investment schemes (i)		
– outside Hong Kong	648,053	–
Unlisted debt securities (i)		
– outside Hong Kong	722,950	–
	1,371,003	–

(i) Classified as Level 3 in the fair value hierarchy (note 40).

As at 31 December 2018, the Group's listed and unlisted equity securities amounting to a fair value of HK$23,793,377,000 (2017: HK$15,796,778,000) were investments in associates and joint ventures. The Group was exempted from applying the equity method to these investments and they were measured as financial assets at fair value through profit or loss.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

As at 31 December 2017, balances of HK$187,276,000 were amounts due from investee companies which were associates recognised as financial assets 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.

At 1 January 2018, the Group classified the amounts due from investee companies as financial assets at fair value through profit or loss because the amounts that the contractual terms of the financial asset give rise on specified dates to cash flows are not solely payments of principal and interest on the principal amount outstanding.

In 2018, the Group purchased certain unlisted financial assets at fair value through profit or loss at a purchase price which was below the fair value at inception that would be determined at that date using a valuation technique. According to the Group's accounting policy, the difference yet to be recognised in the consolidated statement of profit or loss at the beginning and the end of the year is as follows:

	2018 HK$'000	2017 HK$'000
As at 1 January	912,390	716,824
Additions for the year	25,902	232,618
Released during the year	(237,129)	(79,135)
Exchange adjustment	(27,974)	42,083
As at 31 December	673,189	912,390

22. ADVANCES TO CUSTOMERS

	2018 HK$'000	2017 HK$'000
Non-current assets		
Term loans to customers		
– secured	1,190,984	–
– unsecured	20,924	–
	1,211,908	–
Current assets		
Term loans to customers		
– secured	968,180	2,501,551
Less: impairment allowance	(77,251)	(80,921)
	890,929	2,420,630
– unsecured	95,975	1,929,982
	986,904	4,350,612

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

22. ADVANCES TO CUSTOMERS (continued)

Movements in the impairment allowance for term loans to customers are as follows:

	2018 HK$'000	2017 HK$'000
As at 1 January	80,921	43,316
Impairment loss, net	(3,670)	37,605
As at 31 December	77,251	80,921

Except for the above impairment allowance of HK$77,251,000 (2017: HK$80,921,000), there were no other significant receivables, that were aged, requiring significant impairment provision as of 31 December 2018 and 2017.

23. DEBTORS, DEPOSITS AND PREPAYMENTS

	2018 HK$'000	2017 HK$'000
Accounts receivable	412,684	364,663
Deposits, prepayments, interest and other receivables	890,682	1,073,879
	1,303,366	1,438,542
less: impairment allowance	(68,478)	(44,774)
	1,234,888	1,393,768

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

The carrying amount of debtors, deposits and prepayments approximated to their fair value as at 31 December 2018 and 31 December 2017.

Their recoverability was assessed with reference to the credit status of the debtors, and impairment allowance of HK$68,478,000 (2017: HK$44,774,000) was provided as at 31 December 2018.

Movements in the impairment allowance for debtors, deposits and prepayments are as follows:

	2018 HK$'000	2017 HK$'000
As at 1 January	44,774	11,052
Impairment loss, net	23,704	33,722
As at 31 December	68,478	44,774

24. TRADING SECURITIES

	2018 HK$'000	2017 HK$'000
Current assets		
At fair value:		
Listed equity securities		
– in Hong Kong	226,131	696,903
– outside Hong Kong	182,115	382,087
Listed debt securities		
– in Hong Kong	120,156	346,042
– outside Hong Kong	940,963	574,949
Unlisted debt securities	88,964	85,668
Derivatives		
– unlisted	15,364	30,851
	1,573,693	2,116,500
Current liabilities		
At fair value:		
Listed equity securities		
– in Hong Kong	(20,881)	(43,424)
– outside Hong Kong	(91,663)	(68,600)
Listed debt securities		
– in Hong Kong	–	(3,909)
– outside Hong Kong	(8,691)	(1,639)
Derivatives		
– listed	(1,681)	–
– unlisted	(13,396)	(13,009)
	(136,312)	(130,581)

25. CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash on hand, savings and current accounts	6,740,229	3,734,496
Fixed deposits with banks	123,673	1,443,860
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	6,863,902	5,178,356

26. BANK LOANS

	2018 HK$'000	2017 HK$'000
Current liabilities	3,501,739	2,611,257
Non-current liabilities	10,684,234	9,374,977
	14,185,973	11,986,234

As at 31 December 2018 and 2017, the bank loans were unsecured.

27. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2018 HK$'000	2017 HK$'000
Creditors, deposits received and accrued charges	3,314,280	2,208,123

As at 31 December 2018 and 2017, creditors, deposits received and accrued charges included bonuses payable to staff.

28. OTHER FINANCIAL LIABILITIES

	Note	2018 HK$'000	2017 HK$'000
Current:			
Financial liabilities to third party investors	(a)	241,019	266,930
Non-current:			
Financial liabilities to third party investors	(a)	4,353,828	1,262,866

(a) Included in the above are mainly balances arising from part of the Group's normal course of business. The Group set up investment funds that issue redeemable units to third party investors. The third party investors can redeem the invested units for cash after the end of the commitment period. The redeemable units held by third party investors were classified as financial liabilities in the consolidated statement of financial position.

29. BONDS PAYABLE

	2018 HK$'000	2017 HK$'000
As at 1 January	12,414,675	8,998,400
Issued during the year	–	2,955,875
Exchange rate adjustments	(574,665)	460,400
As at 31 December	11,840,010	12,414,675
Current liabilities	3,382,860	–
Non-current liabilities	8,457,150	12,414,675
	11,840,010	12,414,675

30. DEFERRED TAXATION

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

	Fair value adjustment for available-for-sale securities, financial assets at fair value through profit or loss and investment properties		Withholding tax on subsidiaries' and associates' profit		Total	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
At 1 January	(690,399)	(701,635)	(462,850)	(417,948)	(1,153,249)	(1,119,583)
(Charged)/credited to profit or loss	(322,090)	(232,873)	58,204	(44,902)	(263,886)	(277,775)
Exchange adjustments	1,553	–	–	–	1,553	–
Reversed from reserve	–	244,109	–	–	–	244,109
At 31 December	(1,010,936)	(690,399)	(404,646)	(462,850)	(1,415,582)	(1,153,249)

In accordance with the accounting policy set out in note 2(q), the Group has not recognised deferred tax assets, in respect of tax losses of approximately HK$4,655 million (2017: approximately HK$4,258 million), as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant entities. The tax losses do not expire under current tax legislation except those incurred by entities registered in the PRC where tax losses can be carried forward for 5 years from the year such losses are incurred.

31. SHARE CAPITAL

(a) Share capital

	2018		2017	
	No. of shares ('000)	HK$'000	No. of shares ('000)	HK$'000
Ordinary shares issued and fully paid:				
At 1 January and 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.

31. SHARE CAPITAL (continued)

(b) Capital management

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

Adjusted net debt is defined as total debt, which includes interest-bearing loans and borrowings, notes payable and bonds payable, plus unaccrued proposed dividends less cash and cash equivalents.

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

The adjusted net debt-to-capital ratio at 31 December 2018 and 2017 was as follows:

	2018 HK$'000	2017 HK$'000
Current liabilities		
Bank loans	3,501,739	2,611,257
Notes payable	27,000	57,000
Bonds payable	3,382,860	–
	6,911,599	2,668,257
Non-current liabilities		
Bank loans	10,684,234	9,374,977
Notes payable	30,000	–
Bonds payable	8,457,150	12,414,675
Total debt	26,082,983	24,457,909
Add: Proposed dividend	674,101	1,011,152
Less: Cash and cash equivalents	(6,863,902)	(5,178,356)
Adjusted net debt	19,893,182	20,290,705
Total equity	41,380,197	42,344,995
Less: Proposed dividend	(674,101)	(1,011,152)
Adjusted capital	40,706,096	41,333,843
Adjusted net debt-to-capital ratio	49%	49%

As at 31 December 2018, the Group's liquidity remained healthy. The addition of financial resources is mainly attributable to fruitful returns, through divestments and dividends, from investments. During the year, the Group has also made ongoing investments over advances to customers, trading securities and financial assets at fair value through profit or loss. To enhance shareholder returns, the Group continues to seek new investment opportunities while maintaining a healthy capital structure.

The Company is not subject to externally imposed capital requirements. Certain subsidiaries of the Company are subject to regulatory imposed capital and liquid capital requirements (see also note 39(b)). These subsidiaries have complied with those requirements at all time during both the current and prior financial years.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	31 December 2018 HK$'000	31 December 2017 HK$'000
Non-current assets			
Investments in subsidiaries	16	7,209,709	3,585,424
Amounts due from subsidiaries		14,910,643	18,796,263
Investment in an associate		1,538,313	1,682,395
Available-for-sale securities		–	7,512,478
Equity investments designated at fair value through other comprehensive income		6,561,759	–
		30,220,424	31,576,560
Current assets			
Amounts due from subsidiaries		14,843,148	12,464,646
Debtors, deposits and prepayments		361,660	57,801
Cash and cash equivalents		31,264	38,692
		15,236,072	12,561,139
Current liabilities			
Amounts due to subsidiaries		(9,675,907)	(10,659,565)
Bank loans		(1,820,000)	(25,000)
Bonds payable		(3,382,860)	–
Creditors, deposits received and accrued charges		(150,402)	(156,466)
		(15,029,169)	(10,841,031)
Net current assets		206,903	1,720,108
Total assets less current liabilities		30,427,327	33,296,668
Non-current liabilities			
Bank loans		(4,789,320)	(2,775,888)
Bonds payable		(8,457,150)	(12,414,675)
Deferred tax liabilities		(265,341)	(324,439)
		(13,511,811)	(15,515,002)
NET ASSETS		16,915,516	17,781,666
CAPITAL AND RESERVES			
Share capital	31	9,618,097	9,618,097
Reserves	33	7,297,419	8,163,569
TOTAL EQUITY		16,915,516	17,781,666

Approved and authorised for issue by the Board of Directors on 28 March 2019 and signed on behalf of the Board by:

Cai Yunge
Director

Chen Shuang
Director

33. RESERVES

(a) The movements in the Company's reserves during the year are as follows:

	Note	Share capital HK$'000	Investment revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 January 2017		9,618,097	5,491,963	1,424,579	16,534,639
Dividends paid	12	–	–	(1,263,940)	(1,263,940)
Profit for the year		–	–	1,897,641	1,897,641
Other comprehensive income for the year		–	613,326	–	613,326
As at 31 December 2017 and 1 January 2018		9,618,097	6,105,289	2,058,280	17,781,666
Dividends paid	12	–	–	(1,449,318)	(1,449,318)
Profit for the year		–	–	1,533,887	1,533,887
Other comprehensive income for the year		–	(950,719)	–	(950,719)
As at 31 December 2018		9,618,097	5,154,570	2,142,849	16,915,516

(b) Nature and purpose of reserves

(i) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of equity investments designated at fair value through other comprehensive income (2017: available-for-sale securities) held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 2(f).

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investments in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(t).

(iii) Goodwill reserve

The goodwill reserve comprises goodwill on acquisitions that occurred prior to 1 January 2001. The reserve is dealt with in accordance with the accounting policies set out in note 2(e).

(iv) Capital reserve

The capital reserve comprises specific allocation of amounts transferred from retained earnings due to regulatory requirements. It also includes the share of statutory reserves of associates.

(v) Distributability of reserves

As at 31 December 2018, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK$2,142,849,000 (2017: HK$2,058,280,000). After the end of the reporting period, the directors proposed a final dividend of HK$0.4 per share (2017: HK$0.6 per share), amounting to HK$674,101,000 (2017: HK$1,011,152,000) (note 12). This dividend has not been recognised as a liability at the end of the reporting period.

34. 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 2018

	Indefinite HK$'000	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Assets							
– Advances to customers	5,765	225,524	316,971	438,644	1,211,908	–	2,198,812
– Trading securities	423,609	–	1,150,084	–	–	–	1,573,693
– Equity investments designated at fair value through other comprehensive income	6,561,759	–	–	–	–	–	6,561,759
– Financial assets at fair value through profit or loss	34,708,983	–	–	1,371,003	1,481,735	–	37,561,721
– Cash and cash equivalents	–	6,740,229	123,673	–	–	–	6,863,902
	41,700,116	6,965,753	1,590,728	1,809,647	2,693,643	–	54,759,887
Liabilities							
– Bank loans (i)	–	–	–	(3,501,739)	(10,684,234)	–	(14,185,973)
– Other financial liabilities	(308,396)	–	–	(241,019)	(791,171)	(3,254,261)	(4,594,847)
– Trading securities	(127,620)	–	(8,692)	–	–	–	(136,312)
– Bonds payable (ii)	–	–	–	(3,382,860)	(6,765,720)	(1,691,430)	(11,840,010)
– Notes payable	–	(27,000)	–	–	(30,000)	–	(57,000)
	(436,016)	(27,000)	(8,692)	(7,125,618)	(18,271,125)	(4,945,691)	(30,814,142)

As at 31 December 2017

	Indefinite HK$'000	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'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 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 (i)	–	–	(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)
– Bonds payable (ii)	–	–	–	–	(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)

(i) HK$2,700,737,000 (2017: HK$1,614,437,000) which is maturing in 1 to 2 years has been classified in the category of maturing in 1 to 5 years.

(ii) HK$3,382,860,000 (2017: HK$3,547,050,000) which is maturing in 1 to 2 years has been classified in the category of maturing in 1 to 5 years.

35. MATERIAL RELATED PARTY TRANSACTIONS

(a) The following transactions were entered into with related parties during the year:

	2018 HK$'000	2017 HK$'000
Management fee income from:		
– a joint venture	1,946	1,872
– associates exempted from applying the equity method and were recognised as a financial asset at fair value through profit or loss	245,017	328,682
Consultancy and other service income from an associate	9,790	21,553
Bank interest income from a fellow subsidiary/a related party bank	22,788	22,427
Dividend income from:		
– associates exempted from applying the equity method and was recognised as a financial asset at fair value through profit or loss	451,705	227,846
– a fellow subsidiary/a related party bank	348,197	174,997
Bank loans interest expense to a fellow subsidiary/a related party bank	37,363	21,611
Consultancy fee to		
– an associate	24,946	22,030
– a shareholder	4,970	34,384
Remuneration of key management personnel (including the Company's directors) which is included in "staff costs":		
– short-term employee benefits	58,706	69,322
– retirement scheme contributions	459	455

(b) Except as disclosed elsewhere in the financial statements, included in the consolidated statement of financial position are the following balances with related parties:

	2018 HK$'000	2017 HK$'000
Amounts due from associates (included in debtors, deposits and prepayments)	14,854	91,655
Amounts due from associates exempted from applying the equity method and was recognised as a financial asset at fair value through profit or loss (included in debtors, deposits and prepayments)	–	44,460
Loans to associates exempted from applying the equity method and were recognised as a financial asset at fair value through profit or loss (included in advances to customers)	–	210,673
Bank deposit with a fellow subsidiary/a related party bank (include bank deposit in trust accounts)	5,504,761	2,022,582
Bank loans from a fellow subsidiary/a related party bank	–	(701,955)
Interests in collective investment schemes issued by an associate (included in financial assets at fair value through profit or loss)	2,837,261	2,975,203

Amounts due from associates arising in the ordinary course of the securities trading business, are unsecured, interest-bearing and repayable upon demand.

Loans to associates exempted from applying the equity method and are recognised as a financial asset at fair value through profit or loss are secured, interest-bearing and have fixed repayment terms.

35. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Transactions with other PRC state-owned entities

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations ("State-owned Entities"). Transactions with other State-owned Entities include but are not limited to: lending and deposit taking; insurance and redemption of bonds issued by other State-owned Entities; purchase, sale and leases of properties and other assets; and rendering and receiving of utilities and other services.

The Group is of the opinion that none of these transactions are material related party transactions that require separate disclosures.

(d) Certain related party transactions above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Directors' Report.

36. CONTINGENT LIABILITIES

Corporate guarantee

	Note	2018 HK$'000	2017 HK$'000
Guarantee given by the Company to financial institutions in respect of banking facilities granted to subsidiaries	i	8,222,000	8,996,448

Note:

i. The Group's subsidiaries have utilised these banking facilities of HK$6,217,871,000 as at 31 December 2018 (2017: HK$8,186,260,000).

37. COMMITMENTS

(a) Capital commitment

As at 31 December 2018, the Group had capital commitments as follows:

	2018 HK$'000	2017 HK$'000
Contracted but not provided for:		
– consolidated structured entities	2,506,990	85,951
– a structured entity classified as held for sale	–	1,679,294
– unlisted equity investments	358,862	–
– unconsolidated structured entities	5,995,328	4,477,318
	8,861,180	6,242,563

The above amounts included capital commitment to consolidated and unconsolidated structured entities as disclosed in note 16 and note 38 to the financial statements respectively.

(b) Operating lease commitments

As at 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2018 HK$'000	2017 HK$'000
Within 1 year	22,598	13,610
After 1 year but within 5 years	17,881	18,939
	40,479	32,549

(c) Future operating lease arrangements

As at 31 December 2018, the Group had future aggregate minimum lease receipts under non-cancellable operating leases for investment properties as follows:

	2018 HK$'000	2017 HK$'000
Within 1 year	–	154
After 1 year but within 5 years	–	–
	–	154

37. COMMITMENTS (continued)

(d) Off-balance sheet exposure

The fair values and the contractual or notional amounts of the Group's trading equity derivatives outstanding at 31 December 2018 are detailed as follows:

	Fair value assets/(liabilities)		Contractual/ notional amounts	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Assets derivative contracts	15,364	30,851	249,964	652,592
Liabilities derivative contracts	(15,077)	(13,009)	1,319,876	784,691

The financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices of the underlying instruments relative to their terms.

Notional amounts of these financial instruments provide a basis for comparison with instruments recognised on the consolidated statement of financial position but do not necessarily indicate the amount of future cash flows involved or the current fair value of the instruments and, therefore, are not a representation of the Group's exposure to the credit or price risks.

38. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Group
Investment funds	To generate fees from managing assets on behalf of third party investors and to make investment returns from co-investing in the funds	• Management fees • Investments held in the form of limited partnership interest of the funds
Collective investment schemes	These vehicles are financed through the issue of units to investors	• Investments in units issued by the structured entity

As at 31 December 2018, the carrying values of interests held by the Group in unconsolidated structured entities amounted to HK$22,082,363,000 (2017: HK$15,382,950,000) and Nil (2017: HK$836,223,000), which were recognised in financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income (2017: available-for-sale securities) in the consolidated statement of financial position, respectively.

As at 31 December 2018, HK$10,084,431,000 (2017: HK$6,101,690,000) recognised as financial assets at fair value through profit or loss are managed by the Group. The maximum exposure to loss is the carrying value of the assets held. Other than the invested amounts above, the Group also has capital commitment of HK$5,995,328,000 (2017: HK$4,477,318,000) to these unconsolidated structured entities managed by the Group. Other than the committed capital, the Group has no intention to provide financial or other support to these structured entities.

39. FINANCIAL INSTRUMENTS

Risk management is of fundamental importance to the business operation of the Group. The major types of risk inherent in the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The Group's risk management objective is to maximise shareholders' value and to reduce volatility in earnings while maintaining risk exposures within acceptable limits.

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

(a) Credit risk

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

For advances to customers, the Group requires collateral from customers before advances are granted. The amount of advances 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, the Group did not have a significant concentration of credit risk.

The maximum exposure to credit risk without taking into account any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, at the end of the reporting period, deducting any impairment allowance.

39. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

		12-month ECLs	Lifetime ECLs			
	Notes	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Advance to customers	22	2,198,812	–	77,251		2,276,063
Debtors and deposits						
– Normal**		536,001	–	–	412,684	948,685
– Doubtful**		–	–	68,478	–	68,478
Cash and cash equivalents						
– Not yet past due	25	6,863,902	–	–	–	6,863,902
		9,598,715	–	145,729	412,684	10,157,128

* The Group applies the general approach for impairment of financial assets except for impairment of accounts receivable, which the simplified approach was applied.

** The credit quality of the financial assets included in debtors and deposits is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

39. FINANCIAL INSTRUMENTS (continued)

(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, management would also consider adjusting those subsidiaries' capital structure. Subsidiaries with external equity stakeholders are generally responsible for their own liquidity management.

The following table details the remaining contractual maturities on the reporting date of the Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2018				2017			
	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year HK$'000
Creditors, deposits received and accrued charges	3,314,280	3,314,280	3,314,280	–	2,208,123	2,208,123	2,208,123	–
Bank loans	14,185,973	15,329,032	4,019,086	11,309,946	11,986,234	12,939,314	2,955,412	9,983,902
Notes payable	57,000	60,864	2,167	58,697	57,000	58,558	58,558	–
Bonds payable	11,840,010	13,489,765	423,647	13,066,118	12,414,675	14,588,711	444,209	14,144,502
Trading securities	136,312	136,312	136,312	–	130,581	130,581	130,581	–
Other financial liabilities	4,594,847	4,594,847	106,922	4,487,925	1,529,796	1,529,796	266,930	1,262,866
	34,128,422	36,925,100	8,002,414	28,922,686	28,326,409	31,455,083	6,063,813	25,391,270

39. FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

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

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 the 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 medium 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.

In respect of interest-bearing financial assets and financial liabilities at variable interest rates, the following table indicates their effective interest rates at the end of the reporting period. It is estimated that as at 31 December 2018, a general increase/decrease of 0.5% in interest rates, with all other variables held constant, would have decreased/increased the Group's profit before tax, by HK$30,959,228/HK$46,223,286 (2017: decrease/increase of HK$35,627,110/HK$42,804,716 for increase/decrease of 0.5% in the interest rate).

The above increase or decrease in the interest rate represents management's assessment of a reasonable change in interest rates over the period until the next annual balance sheet date. It is also assumed that all other variables remain constant. The analysis was performed on the same basis for 2017.

	2018 Effective interest rate	2018 HK$'000	2017 Effective interest rate	2017 HK$'000
Assets				
Advances to customers	9.20%	2,198,812	4.16%	390,440
Cash and cash equivalents	0.3%	6,863,902	1.06%	5,178,356
Total interest-bearing assets		9,062,714		5,568,796
Liabilities				
Bank loans	4.03%	14,185,973	3.13%	11,986,234
Total interest-bearing liabilities		14,185,973		11,986,234

39. FINANCIAL INSTRUMENTS (continued)

(d) Currency risk

The Group's exposure to currency risk primarily stems from holding 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.

As at the end of the reporting period, the Group's exposure to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate is shown in the table below:

	2018			2017		
	In USD HK$'000	In RMB HK$'000	In SGD HK$'000	In USD HK$'000	In RMB HK$'000	In SGD HK$'000
Available-for-sale securities	–	–	–	603,881	8,056,675	–
Equity investments designated at fair value through other comprehensive income	–	6,561,759	–	–	–	–
Financial assets at fair value through profit or loss	15,462,608	1,392,212	–	8,271,515	620,947	184,279
Advances to customers	416,117	–	–	4,247,747	–	–
Amounts due from subsidiaries	–	9,708,955	–	–	9,127,991	–
Amounts due from investee companies	–	–	–	169,467	–	–
Debtors, deposits and prepayments	160,379	247,665	–	311,694	85,801	–
Trading securities	–	117,044	–	–	565,843	–
Cash and cash equivalents	294,376	14,857	314	485,893	613,483	3,328
Bank loans	(5,979,304)	(1,133,258)	–	(8,107,108)	(833,557)	–
Bonds payable	–	(11,840,010)	–	–	(12,414,675)	–
Other financial liabilities	(850,075)	(308,396)	–	(28,456)	(370,446)	–
Creditors, deposits received and accrued charges	(302,099)	(144,185)	–	(324,457)	(275,963)	–
Net exposure arising from recognised assets and liabilities	9,202,002	4,616,643	314	5,630,176	5,176,099	187,607

39. FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

An analysis of the estimated material change in the Group's profit before tax and other components of consolidated equity in response to reasonably possible changes in the Renminbi's exchange rate to which the Group has significant exposure at the end of the reporting period is presented in the following table.

	2018			2017		
	Increase/ (decrease) in exchange rates	Effect on profit before tax HK$'000	Effect on other components of equity HK$'000	Increase/ (decrease) in exchange rates	Effect on profit before tax HK$'000	Effect on other components of equity HK$'000
Renminbi, RMB	1%	(19,451)	65,618	1%	(120,086)	80,567
	(1%)	19,451	(65,618)	(1%)	120,086	(80,567)

The above analysis assumes the change in the Renminbi's exchange rate had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk in existence at that date while all other variables remain constant. The stated changes also represent management's assessment of reasonably possible changes in exchange rates until the next annual balance sheet date. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The Hong Kong dollar is pegged to the United States dollar and it is assumed that this situation will stay materially unaffected by any fluctuation of the United States dollar against other currencies. The analysis was performed on the same basis for 2017.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 24), available-for-sale securities (see note 19), equity investments designated at fair value through other comprehensive income (see note 20) and financial assets at fair value through profit or loss (see note 21). 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 equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss portfolio have been chosen based on their medium to long-term growth potential and are monitored regularly for performance against expectations.

The performance of the Group's investments in unquoted equity instruments is assessed periodically, based on the information available to the Group.

39. FINANCIAL INSTRUMENTS (continued)

(e) Equity price risk (continued)

The following table shows the approximate changes in the Group's profit before tax (and retained earnings) in response to reasonable change in the value of the relevant listed and unlisted equity investments. The analysis was performed on the same basis for 2017:

	2018			2017		
	Increase/ (decrease) in equity price	Effect on profit before tax and retained profits HK$'000	Effect on other components of equity HK$'000	Increase/ (decrease) in equity price	Effect on profit before tax and retained profits HK$'000	Effect on other components of equity HK$'000
Listed equity investments	10%	308,796	656,176	10%	190,112	929,387
	(10%)	(308,796)	(656,176)	(10%)	(190,112)	(929,387)
Unlisted equity investments	5%	1,489,073	–	5%	1,033,492	118,258
	(5%)	(1,489,073)	–	(5%)	(1,035,022)	(116,728)

(f) Offsetting financial assets and financial liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

Financial assets	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
As at 31 December 2018					
Trading securities	1,320,106	–	1,320,106	(128,859)	1,191,247
Debtors, deposits and prepayments	47,843	–	47,843	–	47,843
As at 31 December 2017					
Trading securities	1,646,634	–	1,646,634	(126,324)	1,520,310
Debtors, deposits and prepayments	208,331	–	208,331	–	208,331

39. FINANCIAL INSTRUMENTS (continued)

(f) Offsetting financial assets and financial liabilities (continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

Financial liabilities	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
As at 31 December 2018					
Trading securities	136,312	–	136,312	(128,859)	7,453
Creditors, deposits received and accrued charges	259,272	–	259,272	–	259,272
As at 31 December 2017					
Trading securities	130,581	–	130,581	(126,324)	4,257
Creditors, deposits received and accrued charges	567,264	–	567,264	–	567,264

Reconciliation to the net amount of financial assets and financial liabilities presented in the consolidated statement of financial position

Financial assets	Financial assets in scope of offsetting disclosures HK$'000	Carrying amounts in the consolidated statement of financial position HK$'000	Financial assets not in scope of offsetting disclosure HK$'000	Notes
As at 31 December 2018				
Trading securities	1,320,106	1,573,693	253,587	24
Debtors, deposits and prepayments	47,843	1,234,888	1,187,045	23
As at 31 December 2017				
Trading securities	1,646,634	2,116,500	469,866	24
Debtors, deposits and prepayments	208,331	1,393,768	1,185,437	23

Financial liabilities	Financial liabilities in scope of offsetting disclosures HK$'000	Carrying amounts in the consolidated statement of financial position HK$'000	Financial liabilities not in scope of offsetting disclosure HK$'000	Notes
As at 31 December 2018				
Trading securities	136,312	136,312	–	24
Creditors, deposits received and accrued charges	259,272	3,314,280	3,055,008	27
As at 31 December 2017				
Trading securities	130,581	130,581	–	24
Creditors, deposits received and accrued charges	567,264	2,208,123	1,640,859	27

40. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group uses professional independent valuers to perform valuations of certain financial instruments, financial assets at fair value through profit or loss which are categorised into Level 3 of the fair value hierarchy. The professional valuer reports directly to the Chief Financial Officer, Chief Risk Officer and the Audit and Risk Management Committee. Valuation reports with analysis of changes in fair value measurement are prepared by the professional valuers at each interim and annual reporting date, and are reviewed and approved by the Chief Financial Officer, Chief Risk Officer and the Audit and Risk Management Committee. Discussion of the valuation process and results with the Chief Financial Officer and the Audit and Risk Management Committee is held twice a year to coincide with the reporting dates.

In addition to the above valuer, the Group also takes reference to the valuation reports performed by other professional valuers to ascertain the fair values of certain investments with underlying interests in real estate investments and some other private equity investments.

40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

As at 31 December 2018

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurement				
Assets				
Equity investments designated at fair value through other comprehensive income:				
– Listed equity securities	6,561,759	–	–	6,561,759
Financial assets at fair value through profit or loss:				
– Listed equity securities	2,415,414	–	410,507	2,825,921
– Unlisted equity securities/collective investment schemes	–	–	28,872,679	28,872,679
– Unlisted convertible preference shares	–	–	4,628,940	4,628,940
– Unlisted debt securities	–	–	1,234,181	1,234,181
	2,415,414	–	35,146,307	37,561,721
Trading securities:				
– Listed equity securities	408,246	–	–	408,246
– Listed debt securities	1,061,119	–	–	1,061,119
– Unlisted debt securities	–	88,964	–	88,964
– Unlisted derivatives	–	15,364	–	15,364
	1,469,365	104,328	–	1,573,693
	10,446,538	104,328	35,146,307	45,697,173
Liabilities				
Trading securities:				
– Listed equity securities	(112,544)	–	–	(112,544)
– Listed debt securities	(8,691)	–	–	(8,691)
Derivatives:				
– Listed	–	(1,681)	–	(1,681)
– Unlisted	–	(13,396)	–	(13,396)
	(121,235)	(15,077)	–	(136,312)

40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

As at 31 December 2017

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurement				
Assets				
Available-for-sale securities:				
– Listed equity securities	8,413,993	–	1,304,625	9,718,618
– Unlisted equity securities/collective investment schemes	–	200,448	2,277,789	2,478,237
	8,413,993	200,448	3,582,414	12,196,855
Financial assets at fair value through profit or loss:				
– Listed equity securities	509,407	–	–	509,407
– Unlisted equity securities/collective investment schemes	–	–	20,320,306	20,320,306
– Unlisted convertible preference shares	–	–	2,008,098	2,008,098
– Unlisted debt securities	–	–	1,867,744	1,867,744
	509,407	–	24,196,148	24,705,555
Trading securities:				
– Listed equity securities	1,078,990	–	–	1,078,990
– Listed debt securities	920,991	–	–	920,991
– Unlisted debt securities	–	85,668	–	85,668
– Unlisted derivatives	–	30,851	–	30,851
	1,999,981	116,519	–	2,116,500
	10,923,381	316,967	27,778,562	39,018,910
Liabilities				
Trading securities:				
– Listed equity securities	(112,024)	–	–	(112,024)
– Listed debt securities	(5,548)	–	–	(5,548)
– Unlisted derivatives	–	(13,009)	–	(13,009)
	(117,572)	(13,009)	–	(130,581)

All financial instruments including financial instruments measured at amortised cost, were stated at fair value or carried at amounts not materially different from their fair values as at 31 December 2018 and 2017.

40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

As at 31 December 2018, five of the financial assets at fair value through profit or loss with fair values of HK$121,318,000, HK$75,988,000, HK$348,814,000, HK$758,505,000 and HK$184,279,000, which the former four were classified as available-for-sale securities as at 31 December 2017, were previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As unadjusted quoted prices are available in the active market, the fair value measurement of these equity securities were accordingly transferred from Level 3 to Level 1 of the fair value hierarchy.

As at 31 December 2018, one of the financial assets at fair value through profit or loss with fair value of HK$200,448,000, which classified as available-for-sale securities as at 31 December 2017, was previously determined to be level 2 under fair value hierarchy using a quoted market price adjusted for a discount of lack of marketability. Due to change in business environment, the fair value measurement of the equity security was transferred from level 2 to level 3 of fair value hierarchy using a valuation technique that used significant unobservable inputs.

As at 31 December 2017, one of the available-for-sale securities with a fair value of HK$893,195,000 was previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As an unadjusted quoted price is available in the active market, the fair value measurement of these equity securities were accordingly transferred from Level 3 to Level 1 of the fair value hierarchy.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of listed and unlisted debt securities and derivatives in Level 2 is determined using broker quotes. The fair value of an unlisted investment fund in Level 2 is determined by the net asset value of the investment fund.

Information about Level 3 fair value measurements

As at 31 December 2018

Valuation techniques	Significant unobservable inputs	Range	Increase/ (decrease) in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss HK$'000
Market comparable companies	Discount for lack of marketability	30%	5%	(48,669)
			(5%)	48,669
	Market multiples	0.9 to 25.4	5%	116,931
			(5%)	(116,931)
Binomial model and equity allocation model	Discount rate	9.26% to 21.49%	5%	(9,154)
			(5%)	9,230
	Volatility	28.35% to 44.80%	5%	(1,773)
			(5%)	1,552
Put option model	Discount for lack of marketability for restricted shares	18.02%	5%	(4,511)
			(5%)	4,511

40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Information about Level 3 fair value measurements (continued)

As at 31 December 2017

Valuation techniques	Significant unobservable inputs	Range	Increase/ (decrease) in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss HK$'000	Favourable/ (unfavourable) impact on other comprehensive income HK$'000
Market comparable companies	Discount for lack of marketability	20% to 30%	5%	(40,547)	(9,132)
			(5%)	40,547	9,132
	Market multiples	1.1 to 60.4	5%	110,146	22,742
			(5%)	(110,146)	(22,742)
Binomial model and equity allocation model	Discount rate	3.58% to 15.87%	5%	(16,195)	–
			(5%)	17,621	–
	Volatility	16.81% to 55.92%	5%	1,784	–
			(5%)	(2,580)	–
Put option model	Discount for lack of marketability for restricted shares	4.1% to 50%	5%	–	(45,940)
			(5%)	–	45,940

Other than using the recent transaction approach as the valuation technique in determining the fair value of level 3 financial instruments, the valuation techniques in estimating the fair value of other financial instruments are described as follows:

The fair value of unquoted equity investments is estimated using an appropriate combination of:

(1) making reference to capital statements, management information and valuation reports provided by third parties,

(2) deducing from prices recently paid for similar assets, quoted market prices in active markets and the financial indicators of the transacted assets such as net book value and net operating profit; and

(3) applying, if possible, price to earnings ("P/E") ratios, price to book ("P/B") ratios, enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") ratios and enterprise value to sales ("EV/Sales") ratios for similar listed companies adjusted to reflect the specific circumstances of the investments.

The Group has certain shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange, which are subject to restriction on sales for defined periods. The fair value measurement reflected the effect of such restriction with an adjustment to the quoted price of otherwise similar but unrestricted securities and the adjustment was referenced to put option models.

The fair value of preference shares and debt securities are estimated using the equity allocation model and discounted future cash flows respectively. Future cash flows are estimated based on management's best estimate of the amount it would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions. The discount rate used is a market rate for a similar instrument at the end of the reporting period. The fair value of an option contract is determined by applying an option valuation model such as the Black-Scholes valuation model. Inputs are based on market related data at the end of the reporting period.

40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Information about Level 3 fair value measurements (continued)

The movements during the year in the balance of these Level 3 financial instruments are as follows:

	Available-for-sale securities (before 1 January 2018)			Financial assets at fair value through profit or loss				
	Listed equity securities HK$'000	Unlisted equity securities/ collective investment schemes HK$'000	Total HK$'000	Listed equity securities HK$'000	Unlisted equity securities/ collective investment schemes HK$'000	Unlisted convertible preference shares HK$'000	Unlisted debt securities HK$'000	Total HK$'000
At 1 January 2017	1,324,739	4,074,532	5,399,271	–	13,989,238	1,013,743	1,661,345	16,664,326
Purchased	–	22,820	22,820	–	8,066,760	491,954	3,264,836	11,823,550
Net unrealised gain/(loss) recognised in other comprehensive income	873,081	(496,045)	377,036	–	–	–	–	–
Net realised and unrealised gain recognised in profit or loss	–	–	–	–	1,931,502	502,401	238,512	2,672,415
Conversion	–	–	–	–	218,313	–	(218,313)	–
Sold	–	(1,323,518)	(1,323,518)	–	(3,885,507)	–	(3,078,636)	(6,964,143)
Reclassification	(893,195)	–	(893,195)	–	–	–	–	–
At 31 December 2017	1,304,625	2,277,789	3,582,414	–	20,320,306	2,008,098	1,867,744	24,196,148
Impact on transition to HKFRS 9	(1,304,625)	(2,277,789)	(3,582,414)	1,304,625	2,465,065	–	–	3,769,690
As at 1 January 2018	–	–	–	1,304,625	22,785,371	2,008,098	1,867,744	27,965,838
Purchased	–	–	–	378,808	7,868,266	1,362,525	1,209,368	10,818,967
Net realised and unrealised gain/(loss) recognised in profit or loss	–	–	–	518,308	2,431,140	1,265,111	(683,339)	3,531,220
Conversion	–	–	–	–	232,422	236,470	(468,892)	–
Sold	–	–	–	(634,782)	(3,999,506)	(79,787)	(854,177)	(5,568,252)
Reclassification	–	–	–	(1,156,452)	(445,014)	(163,477)	163,477	(1,601,466)
At 31 December 2018	–	–	–	410,507	28,872,679	4,628,940	1,234,181	35,146,307

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash outflow from operating activities:

	2018 HK$'000	2017 HK$'000
Profit before taxation	3,391,063	5,145,559
Interest income on bank deposits	(41,993)	(69,371)
Interest expenses	946,737	749,311
Dividend income	(849,837)	(576,011)
Share of profits less losses of joint ventures	(117,132)	(72,018)
Share of profits less losses of associates	(583,850)	(1,300,456)
Depreciation and amortisation expenses	30,948	30,960
Realised gain on disposal of associates	(88,631)	(293,503)
Net realised gain on disposal of financial assets at fair value through profit or loss	(1,313,401)	(309,216)
Net realised loss on discharge of financial liabilities at fair value through profit or loss	–	202,996
Net unrealised (gain)/loss on financial assets at fair value through profit or loss	(1,359,547)	(1,172,703)
Gain on losing control of subsidiaries	–	(60,384)
Net realised gain on disposal of available-for-sale securities	–	(2,058,420)
Net surplus on revaluation of investment properties	(194,051)	(4,800)
Gain on disposal of investment properties	(600)	(360)
Gain on disposal of property, plant and equipment	(220)	–
Impairment loss on available-for-sale securities	–	203,247
Impairment loss on amount due from an investee company	–	3,423
Impairment loss on advances to customers	–	37,605
Impairment loss on debtors, deposits and prepayments	23,704	33,722
Reversal of impairment loss on advance to customer	(3,670)	–
Reversal of impairment loss on debtors, deposits and prepayments	–	(5,657)
Profit from disposal group held for sale	(6,775)	(207,604)
Cash (outflow)/inflow before working capital changes	(167,255)	276,320
Decrease/(increase) in advances to customers	470,352	(2,603,974)
Decrease in finance lease receivables	21,374	37,329
(Increase)/decrease in debtors, deposits and prepayments	(167,209)	1,583,675
Decrease in amounts due from associates	–	1,648,988
Decrease/(increase) in trading securities	548,538	(1,034,434)
Decrease in amounts due from investee companies	38,110	87,414
Increase in creditors, deposits received and accrued charges	1,113,957	975,796
Increase in an amount due to an associate	–	(44,896)
Decrease in amount due to an investee company	–	(211,632)
Hong Kong profits tax paid	(29,801)	(32,113)
Overseas profits tax paid	(397,312)	(820,272)
Interest paid	(954,538)	(667,791)
Net cash inflow/(outflow) from operating activities	476,216	(805,590)

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Losing control of subsidiaries

During the year ended 31 December 2017, the Group lost control of subsidiaries. The fair values of the assets and liabilities disposed of were as follows:

	2018 HK$'000	2017 HK$'000
Proceeds from losing control of subsidiaries	–	257,774
Less: Cash of subsidiaries	–	(402,393)
Net cash outflow from losing control of subsidiaries	–	(144,619)
Less: Available-for-sale securities	–	(192,252)
Less: Financial assets at fair value through profit or loss	–	(143,187)
Less: Other debtors and prepayment	–	(7,499)
Add: Creditors, deposits received and accrued charges	–	337
Add: Non-controlling interests	–	547,604
Gain on losing control of subsidiaries	–	60,384

(c) Changes in liabilities arising from financing activities

	1 January 2018 HK$'000	Net cash flows HK$'000	Foreign exchange movement HK$'000	Dividend declared HK$'000	31 December 2018 HK$'000
Long-term bank loans	9,374,977	1,309,257	–	–	10,684,234
Short-term bank loans	2,611,257	915,766	(25,284)	–	3,501,739
Notes payable	57,000	–	–	–	57,000
Dividend payable	–	(1,449,318)	–	1,449,318	–
Bonds payable	12,414,675	–	(574,665)	–	11,840,010
Total liabilities from financing activities	24,457,909	775,705	(599,949)	1,449,318	26,082,983

42. SEGMENT INFORMATION

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

Fund Management Business

Fund management business refers that the Group raises funds from 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 solution that offers 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.

42. SEGMENT INFORMATION (continued)

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. The revenue from the strategic investment mainly comes from the attributable profit of Everbright Securities and the dividend income distributed by Everbright Bank.

(a) Business segments

For the year ended 31 December 2018:

	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$'000	HK$'000	Total HK$'000
INCOME									
Operating income from external customers	733,138	77,560	15,829	–	469,407	348,197	1,644,131	–	1,644,131
Other net income from external customers	1,025,074	(73,933)	127,394	–	1,885,090	88,631	3,052,256	–	3,052,256
Total operating income and other net income	1,758,212	3,627	143,223	–	2,354,497	436,828	4,696,387	–	4,696,387
RESULTS AND RECONCILIATION OF SEGMENT RESULTS									
Segment results before non-controlling interests	1,487,140	(121,527)	122,368	–	2,201,025	436,828	4,125,834	6,775	4,132,609
Unallocated head office and corporate expenses									(1,442,528)
Share of profits less losses of associates	154,064	–	–	–	369,893	59,893	583,850	–	583,850
Share of profits less losses of joint ventures	52,473	–	–	64,659	–	–	117,132	–	117,132
Profit before taxation									3,391,063
Less: non-controlling interests	115,793	4,104	–	–	(26,944)	–	92,953	–	
Segment results	1,809,470	(117,423)	122,368	64,659	2,543,974	496,721	4,919,769	6,775	

42. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

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$'000	HK$'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	207,604	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	207,604	

42. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Other Information

As at 31 December 2018

	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$'000	HK$'000	Total HK$'000
Segment assets	28,718,471	3,850,091	1,407,110	–	16,506,384	6,561,759	57,043,815	738,244	57,782,059
Investments in associates	3,700,771	–	–	–	2,709,061	11,476,894	17,886,726	–	17,886,726
Investments in joint ventures	356,347	–	–	811,640	–	–	1,167,987	–	1,167,987
Unallocated head office and corporate assets									423,992
Total assets									77,260,764
Segment liabilities	6,338,241	406,743	–	–	840,283	–	7,585,267	–	7,585,267
Unallocated head office and corporate liabilities									26,543,155
Provision for taxation									336,563
Deferred tax liabilities									1,415,582
Total liabilities									35,880,567

42. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Other Information (continued)

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 Investment HK$'000	Strategic Investment HK$'000	Reportable segments total HK$'000	HK$'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	–	–	–	2,423,899	13,542,889	19,753,254	–	19,753,254
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
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

42. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment 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 2018			For the year ended 31 December 2017		
	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	709,874	934,257	1,644,131	893,096	873,859	1,766,955
Other net income	923,206	2,129,050	3,052,256	660,997	3,100,713	3,761,710
	1,633,080	3,063,307	4,696,387	1,554,093	3,974,572	5,528,665

	For the year ended 31 December 2018			For the year ended 31 December 2017		
	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	3,020,213	16,929,239	19,949,452	1,729,486	18,450,955	20,180,441

43. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Changes in assumptions may have a significant impact on the financial statements in the periods where the assumptions are changed. The application of assumptions and estimates means that any selection of different assumptions would cause the Group's reporting to differ. The Group believes that the assumptions that have been made are appropriate and that the financial statements therefore present the financial position and results fairly, in all material respects. Management has discussed with the Audit and Risk Management Committee on the development, selection and disclosure of the Group's significant accounting policies and estimates and the application of these policies and estimates.

43. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Sources of estimation uncertainty

(i) Unlisted investments

The fair values of unlisted financial assets at fair value through profit or loss and other non-trading securities are significantly affected by the combination of valuation methodologies employed, the parameters used and, if required, the related comparable companies chosen. The valuation methodologies and the source of parameters adopted by the Group are discussed in note 40.

(ii) Impairment of advances to customers and debtors, deposits and prepayments

The impairment provisions for amortised receivables are based on assumptions about ECLs. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience, market benchmark and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss.

(iii) Tax provision

The Group's taxation provision is based on management's assessment of the estimated assessable profits for the year taking into consideration tax legislations in Hong Kong and the relevant overseas jurisdictions.

(b) Critical accounting judgements in applying the Group's accounting policies

(i) Structured entities managed by the Group and its affiliates

The Group and its affiliates, acting as the general partners or investment managers to a number of structured entities (investment funds and collective investment schemes), has provided seed capital for the set up of these structured entities. When determining whether the Group controls these structured entities, usually the level of aggregate economic interests of the Group in these funds and the level of investors' rights to remove the general partners or investment managers are considered. The Group determines that it has no control over some structured entities since the level of aggregate economic interests of the Group in those structured entities is not so significant that it gives the Group control over the structured entities, or the Group cannot control the general partners or investment managers, after taking into consideration the level of investors' rights to remove the general managers or investment managers and the power of other investors over the general partners or investment managers. The Group determines that it has control over some structured entities and has consolidated them. Further details of unconsolidated structured entities are set out in note 38.

(ii) Involvement with unconsolidated structured entities

Disclosures of interests in unconsolidated structured entities provide information on involvement in these entities which exposes the Group to variability of returns from the performance of the other entity. Involvement is considered on a case-by-case basis, taking into account the nature of the entity's activity. This could include holding debt and equity instruments, or the provision of structured derivatives, but excludes involvement that exists only because of typical customer supplier relationships, such as market-making transactions to facilitate secondary trading or senior lending in the normal course of business.

43. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Critical accounting judgements in applying the Group's accounting policies (continued)

(iii) Impairment of investment in an associate – Jiabao Group

As at 31 December 2018, the Group's carrying value of its investments in Jiabao Group, an associate of the Group, amounted to HK$3,700,771,000. This included goodwill of HK$1,565,958,000 arising from the acquisition. For impairment testing, the Group has performed an impairment assessment and calculated the value-in-use of Jiabao Group, using a discounted cash flow model with a forecast compiled by the management of Jiabao Group. In carrying out the impairment assessments, significant judgements and assumptions are required to estimate the value-in-use which was estimated based on a management forecast.

44. BANKING FACILITIES AND PLEDGE OF ASSETS

Aggregate banking facilities of the Group as at 31 December 2018 amounted to HK$20,929 million (2017: HK$18,880 million). The Group has utilised HK$14,186 million (2017: HK$11,986 million) of these facilities.

As at 31 December 2018, no fixed deposits (2017: Nil) 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 are secured against liabilities to the prime brokers. As at 31 December 2018, assets deposited with the prime brokers include HK$1,215 million (2017: HK$1,306 million) and HK$2 million (2017: HK$160 million) which form part of the Group's trading securities and debtors respectively.

45. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021

45. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 Operating *Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to re-measure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16 and expects that there is no significant impact on the financial statements upon the adoption of HKFRS 16.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

45. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2015-2017 Cycle sets out amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23. The Group expects to adopt the amendments from 1 January 2019. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value.
- HKFRS 11 *Joint Arrangements*: Clarifies that when an entity that participates in (but does not have joint control of) a joint operation obtains joint control over that joint operation that is a business, it does not remeasure the interest it previously held in that joint operation.
- HKAS 12 *Income Taxes*: Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividends.
- HKAS 23 *Borrowing Costs*: Clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

46. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 133 to 221 were approved and authorised for issue by the Board of Directors on 28 March 2019.

FINANCIAL SUMMARY

RESULTS

	For the years ended 31 December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000
Turnover	6,622,673	10,411,567	8,069,450	8,454,405	9,211,012
Operating profit after finance costs	1,577,972	1,157,844	5,440,414	3,565,481	2,683,306
Gain on deemed disposal of interest in a joint venture	139,654	–	–	–	–
Net gain on deemed disposal of interests in associates	–	1,304,042	160,631	–	–
Share of adjusted profits less losses of associates and joint ventures	1,254,541	3,255,437	1,301,323	1,372,474	700,982
Profit before taxation	2,972,167	5,717,323	6,902,368	4,937,955	3,384,288
Income tax	(88,896)	(452,449)	(1,308,119)	(853,497)	(380,099)
Profit from continuing operations	2,883,271	5,264,874	5,594,249	4,084,458	3,004,189
Discontinued operations	–	56,423	78,747	207,604	6,775
Profit for the year	2,883,271	5,321,297	5,672,996	4,292,062	3,010,964
Attributable to:					
Equity shareholders of the Company	2,559,688	5,143,994	4,074,382	4,148,342	3,103,917
Non-controlling interests	323,583	177,303	1,598,614	143,720	(92,953)
	2,883,271	5,321,297	5,672,996	4,292,062	3,010,964
Earnings per share (HK$)	1.514	3.052	2.418	2.461	1.842

ASSETS AND LIABILITIES

	As at 31 December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000
Total assets	52,634,371	65,281,043	67,495,336	72,918,271	77,260,764
Total liabilities	(14,443,785)	(22,333,534)	(28,008,941)	(30,573,276)	(35,880,567)
Non-controlling interests	(3,216,456)	(3,581,344)	(2,276,904)	(1,674,584)	(1,521,535)
Shareholders' fund	34,974,130	39,366,165	37,209,491	40,670,411	39,858,662

PARTICULARS OF MAJOR PROPERTIES

Location	Site area/Gross floor area	Tenure	Use
Hong Kong			
46th Floor, Far East Finance Centre, 16 Harcourt Road	Gross floor area of 10,800 sq. ft.	Government lease for 75 years from 23rd July 1980, renewable for another 75 years	Commercial
40th Floor, Far East Finance Centre, 16 Harcourt Road	Gross floor area of 10,800 sq. ft.	Government lease for 75 years from 23rd July 1980, renewable for another 75 years	Commercial
Flat A, 27/F, 1 Star Street, Wanchai	Gross floor area of 655 sq. ft.	Government lease for 75 years from 22nd August 1928, renewable for another 75 years	Residential
Flat H, 22nd Floor, Tower 21, South Horizons, Ap Lei Chau	Gross floor area of 1,107 sq. ft.	Government lease from 28th January 1988 to 31st March 2040	Residential
Mainland China			
Units 1-17, 8th Floor, Industrial Bank Building, 4013 Shennan Road, Futian District, Shenzhen	Gross floor area of 1,241.25 sq.m.	Land use rights for 50 years from 27th December 2000	Commercial
Unit 1300, Level 13, China Overseas International Center, 28 Ping'anli West Street, Xicheng District, Beijing	Gross floor area of 1,474.42 sq.m.	Land use rights for 50 years from 7th March 2004	Commercial
Level 25, 21 Century Center, No. 210 Century Road, Pudong New District, Shanghai	Gross floor area of 1,976.23 sq.m.	Land use rights for 50 years from 25th February 1997	Commercial

CORPORATE INFORMATION

BOARD OF DIRECTORS

Cai Yunge (Chairman)
Chen Shuang (Chief Executive Officer)
Tang Chi Chun, Richard
(Chief Financial Officer)
Zhang Mingao (Chief Investment Officer)
Yin Lianchen (Chief Investment Officer)
Lin Zhijun*
Chung Shui Ming, Timpson*
Law Cheuk Kin, Stephen*

* Independent Non-executive Directors

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Chan Ming Kin, Desmond

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Industrial and Commercial Bank of
China (Asia) Limited
China Construction Bank Corporation
Agricultural Bank of China Limited
Bank of Communications Company,
Limited
Shanghai Pudong Development
Bank Company, Limited
DBS Bank Ltd., Hong Kong Branch

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