



China Development Bank International Investment Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1062)

Annual Report 2018



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Corporate Information

DIRECTORS

Executive Directors

Mr BAI Zhe (*Chairman*)
Mr ZHANG Jielong (*Deputy Chief Executive Officer*)
(resigned on 29 March 2019)

Independent Non-executive Directors

Mr WANG Xiangfei
Mr SIN Yui Man
Mr FAN Ren Da, Anthony

COMPANY SECRETARY

Mr YU Chi Kit

AUDIT COMMITTEE

Mr WANG Xiangfei (*Chairman*)
Mr SIN Yui Man
Mr FAN Ren Da, Anthony

REMUNERATION COMMITTEE

Mr SIN Yui Man (*Chairman*)
Mr WANG Xiangfei
Mr FAN Ren Da, Anthony

NOMINATION COMMITTEE

Mr BAI Zhe (*Chairman*)
Mr WANG Xiangfei
Mr FAN Ren Da, Anthony

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 4506-4509
Two International Finance Centre
No. 8 Finance Street, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited

Royal Bank House
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24 Shedden Road, P.O. Box 1586,
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited

Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
**Bank of Communications Co., Ltd.,
Hong Kong Branch**
**China Minsheng Banking Corp., Ltd.,
Hong Kong Branch**
The Bank of East Asia, Limited

AUDITOR

PricewaterhouseCoopers

22/F., Prince's Building
Central, Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law

Freshfields Bruckhaus Deringer

As to the Cayman Islands Law

Conyers Dill & Pearman

INVESTMENT MANAGER

HuaAn Asset Management (Hong Kong) Limited

Unit No. 4702, 47th Floor
Central Plaza
No. 18 Harbour Road
Wanchai, Hong Kong

CUSTODIAN

Visra Management (Hong Kong) Limited

19/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1062

WEBSITE

www.cdb-intl.com
www.irasia.com/listco/hk/cdbintl

Chairman's Statement

Dear Shareholders

In 2018, China Development Bank International Investment Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) obtained satisfactory returns from the Group’s investment projects. The slowdown of global economic growth trend in 2018, lower confidence of investors about the economic prospects, trade disputes among major economies coupled with rising US interest rates and tightening of financial leverages in China, all adversely affected the economic development of China and other emerging countries in 2018. The Company used its best effort to pursue the best returns to the shareholders of the Company (the “**Shareholders**”).

In 2019, the Company believes that the investment in logistics industry will possibly create the best returns to the Shareholders. Logistics is the key foundation of the global business flow. The efficiency of logistics-related industries has a material influence on investment decisions of large and small companies, and thus affects the amount and location of job opportunities to be created around the world. During the “13th Five-Year” period, the National Development and Reform Commission announced that, based on the requirements of leading the new economic normality and implementing the new development concept, reducing cost and improving efficiency in the logistics industry and serving important material-strategies should continue to be the key mission of “Reducing Cost, Reducing Deficiencies and Promoting Supply-side Structural Reforms” and the innovative development of the logistics industry will be promoted with great efforts. On one hand, with the innovation of logistics industry systems and mechanisms, refinement of relevant policies, strengthening of the construction of critical segments of logistics industry, support of the development of new logistic modes such as third party logistics and multi-mode transportation and reduction of tax liabilities, reduction of costs and improvement of efficiency in the logistics industry will be promoted and the real economy will be strengthened with stable growth. On the other hand, the “Three Strategies” will be implemented by planning the establishment of a big international logistic channel, promoting reforms of the Beijing, Tianjin and Hebei agricultural products circulation system and accelerating the multi-mode transportation development along the Yangtze River golden waterway as a core and so forth. Meanwhile, the sustainable and healthy development of the logistic industry will be backed by basic work including organization and implementation of major projects of modern logistics industry, demonstration of the logistic pilots and formulation and revision of industry standard. The Company will continue to seek for the best investment opportunities in the logistics industry, and combine the national strategies such as China’s industrial upgrade, the Belt and Road initiatives, and Guangdong-Hong Kong-Macao Bay Area development, actively explore the potential investment opportunities of information technology, new energies for advanced manufacturing and energy saving and environment protection sectors, so as to create the best returns to the Shareholders.

In order to improve the performance of the Group and deliver the best returns to the Shareholders, the Group will continue to look for investment opportunities which will strengthen its profitability with acceptable portfolio risk. The management will continue to closely monitor the market situation and enhance the Group’s operations in all areas to raise the levels of financial discipline and improve profitability.

Finally, I would like to take this opportunity to extend my sincerest gratitude to the Shareholders for your support. I would also like to thank members of the Board, the management and the staff for your diligence. Despite the turmoil in the international economy in 2018, we have worked hard to confront the challenges head on and achieve its goals. I am confident that we will be able to achieve long-term sustainable returns for the Shareholders by working together as a more mature and united team in the next year.

By the order of the Board

CHINA DEVELOPMENT BANK INTERNATIONAL INVESTMENT LIMITED

BAI Zhe

Chairman

Hong Kong, 29 March 2019

Management Discussion and Analysis

The board of directors (the “**Board**” or “**Directors**”) of the Company announces the audited consolidated results of the Group for the year ended 31 December 2018 (the “**Year**”). The audited consolidated results for the Year have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and audited by the auditor of the Company, PricewaterhouseCoopers.

OVERALL PERFORMANCE

For the Year, the Group recorded a profit for the year attributable to owners of the Company of approximately HK\$139.58 million (2017: HK\$176.96 million) which is primarily attributable to the net valuation gains in fair value of financial assets at fair value through profit or loss for the Year. The finance income for the Year was approximately HK\$0.05 million (2017: HK\$0.04 million). The net valuation gains on fair value of financial assets at fair value through profit or loss amounted to approximately HK\$174.31 million (2017: HK\$191.73 million) was recorded in the Year. The general and administrative expenses of the Group for the Year were approximately HK\$15.16 million (2017: HK\$13.99 million). The increase was mainly resulted from the increase in employee benefits expenses and legal and professional fees incurred during the Year. The finance expenses for the Year were approximately HK\$20.23 million (2017: HK\$4.36 million). The Group’s net asset value increased to approximately HK\$1,623.94 million (2017: HK\$1,487.67 million). Earnings per share for the Year was amounted to approximately HK4.81 cents (2017: HK6.10 cents).

LIQUIDITY AND FINANCIAL RESOURCES

It is the Group’s policy to adopt a prudent financial management strategy. The Group’s treasury policies are designed to maintain a suitable level of liquidity facilities and minimise financial risks in order to meet operation requirements and pursue investment opportunities. On 11 November 2016, a loan agreement was entered into between CDBIH as lender and the Company as borrower, pursuant to which CDBIH will provide a term loan to the Company in an amount of up to US\$100 million, at an interest rate of 1.65% per annum over US\$ 3-month LIBOR. The loan will be repayable on the date falling twelve months after the date of first drawdown, which may be automatically extended for another twelve months unless notified by either CDBIH or the Company not to extend repayment. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. While the Group had net current liabilities of approximately HK\$261.07 million as at 31 December 2018 (which included short-term bank borrowings of HK\$546.00 million), the Directors consider the Group will be able to meet its financial obligations as they fall due for the foreseeable future after taking into account the availability of the unutilised revolving credit facilities of US\$100 million from CDBIH, the controlling shareholder of the Company, together with the expectation that the existing banking facilities and the short-term bank borrowings will be successfully renewed upon their expiry. Moreover, CDBIH has confirmed its intention to provide financial support for the continuing operations of the Group and the Company so as to enable it to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the twelve months from 31 December 2018. Accordingly, the consolidated financial statements have been prepared on a going concern basis. As at 31 December 2018, the cash and cash equivalents of the Group was approximately HK\$59.15 million (2017: HK\$92.87 million). As almost all the retained cash was denominated in Hong Kong Dollars and placed in major banks in Hong Kong, the Group’s exposure to exchange fluctuations is considered minimal. The Board believes that the Group still maintains a healthy financial position as at 31 December 2018. As at 31 December 2018, the Group had short-term borrowings of HK\$546.00 million (31 December 2017: HK\$546.00 million) and the gearing ratio (calculated as the short-term borrowings to the total shareholder’s equity) was 34% (31 December 2017: 37%), putting the Group in an advantageous position to realise its investment strategies and pursue investment opportunities.

Management Discussion and Analysis

CAPITAL STRUCTURE

There is no change to the Group's capital structure for the Year.

CHARGE ON ASSETS, CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2018 and 31 December 2017, there were no charges on the Group's assets and the Group had no material capital commitment or any significant contingent liabilities.

As at 31 December 2018 and 31 December 2017, as far as the Directors are aware, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Group.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Year, the Company had not made any material acquisition or disposal of subsidiaries and associated companies.

PORTFOLIO REVIEW

Particulars of the top ten investments of the Group as at 31 December 2018 are set out as follows:

	Cost/carrying book cost as at 31 December 2018 HK\$	Market value/ carrying amount as at 31 December 2018 HK\$	Market value/ carrying amount as at 31 December 2017 HK\$	Unrealised gains/(losses) recognised for the year ended 31 December 2018 HK\$	Accumulated unrealised gains/(losses) recognised as of 31 December 2018 HK\$	Percentage to the Group's total assets as at 31 December 2018 %
Jade Sino Ventures Limited ("Jade Sino") (Note 1)	194,987,520	444,600,000	374,400,000	70,200,000	249,612,480	20.4%
Jolly Investment Limited ("Jolly") (Note 2)	195,000,000	241,800,000	249,600,000	(7,800,000)	46,800,000	11.1%
BEST Inc. ("Best Inc.") (Note 3)	234,000,000	106,336,707	232,336,648	(125,999,941)	(127,663,293)	4.9%
Spruce (Note 4)	200,460,000	397,800,000	246,394,681	151,405,319	197,340,000	18.3%
G7 Networks Limited ("G7") (Note 5)	195,000,000	229,320,000	202,800,000	26,520,000	34,320,000	10.5%
Wacai Holdings Limited ("Wacai") (Note 6)	195,000,000	210,600,000	215,148,696	(4,548,696)	15,600,000	9.7%
NIO INC. ("NIO") (Note 7)	195,000,000	232,051,606	196,582,906	35,468,700	37,051,606	10.7%
Yimidida Supply Chain Group Co., Ltd. ("Yimidida") (Note 8)	153,260,180	186,031,900	156,968,406	29,063,494	32,771,720	8.5%
Beijing Far East Instrument Company Limited ("Beijing Far East") (Note 9)	47,766,126	68,077,432	70,606,937	N/A	N/A	3.1%
China Property Development (Holdings) Limited ("CPDH") (Note 9)	78,000,000	2,407,507	3,285,518	N/A	N/A	0.1%

Notes:

- Jade Sino is an investment holding company incorporated in the British Virgin Islands with limited liabilities. As at 31 December 2018, the proportion of the issued share capital of Jade Sino owned by the Group was approximately 23.81%. As at 31 December 2018, Jade Sino directly held approximately 15.01% of the equity interests of Jinko Power Technology Co., Ltd. ("Jinko Power"), a company incorporated in the PRC with limited liabilities. Jinko Power and its subsidiaries are principally engaged in developing, building and operating photovoltaic power stations in the PRC. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.
- Jolly is an investment holding company incorporated in the Cayman Islands with limited liabilities. As at 31 December 2018, the proportion of the issued share capital of Jolly owned by the Group was approximately 23.04%. As at 31 December 2018, Jolly indirectly held approximately 21.74% of the equity interests of Guangzhou P.G. Investment Co., Ltd. ("PG Investment"), a company incorporated in the PRC. PG Investment is a logistics warehouse infrastructure operator in the PRC. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.

Management Discussion and Analysis

3. Best Inc. was incorporated in the Cayman Islands with limited liabilities which is principally engaged in express delivery, freight delivery and supply chain service. Best Inc. was successfully listed on the New York Stock Exchange in September 2017. As at 31 December 2018, the proportion of its issued share capital owned by the Group was approximately 0.86%. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.
4. Spruce is an investment holding company incorporated in the Cayman Islands and provides supply chain related services including ingredient procurement, warehousing and distribution to small-and-medium-sized restaurants in the PRC. As at 31 December 2018, the proportion of the issued share capital of Spruce owned by the Group was approximately 1.06%. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.
5. G7 is a technology leader in the logistics sector in the PRC. Its services span all aspects of fleet management including order processing, short/long haul visibility, asset tracking, dispatch, and route planning. As at 31 December 2018, the proportion of the issued share capital of G7 owned by the Group was approximately 4.14%. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.
6. Wacai is a leading online comprehensive financial planning and wealth management platform in the Fin-tech industry in the PRC. As at 31 December 2018, the proportion of the issued share capital of Wacai owned by the Group was approximately 3.08%. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.
7. NIO is an investment holding company incorporated in the Cayman Islands with limited liabilities which is engaged in the design, manufacturing and sales of smart and connected premium electric vehicles, driving innovations in next generation technologies in connectivity, autonomous driving and artificial intelligence. On 12 September 2018, the American Depositary Shares (“**ADSs**”) of NIO were listed for trading on the New York Stock Exchange. As at 31 December 2018, the proportion of its issued share capital owned by the Group was approximately 0.44%. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year. The Board approved the potential disposal of all NIO ADSs held by the Group on 6 March 2019. Please refer to “Subsequent Event” on page 27 of this report for details.
8. Yimidida is a company incorporated in the PRC with limited liabilities which is principally engaged in the operation of the less-than-truckload freight network and was jointly established by several regional leading less-than-truckload logistics enterprises, Yimidida, with the mode of direct operation in core areas and regional franchise, unified the branding, systems, clearing, services and management standards of its partners along the whole ecological chain, and rapidly established the country-wide freight franchise network. As at 31 December 2018, the proportion of its issued share capital owned by the Group was approximately 5.38%. No gain or loss on disposal was recorded during the Year. No dividend was received during the Year.
9. The investments in Beijing Far East and CPDH disclosed in the table above are accounted for in accordance with HKAS 28 (Amendments) Investment in Associate and Joint Ventures, for details please refer to Note 14 to the consolidated financial statements.

UNLISTED INVESTMENTS REVIEW

The Company has been committed to identifying and exploring high-quality investment opportunities and has established certain investment layout in areas including, but not limited to, logistics infrastructure, Fin-tech, new energy and supply chain services. The investments below in Yimidida, Wacai, G7, Spruce, PG Investment, Jinko Power and Beijing Far East are expected to create investment returns for the shareholders of the Company (the “**Shareholders**”) and to further promote the Company’s overall market advantage in modern service industries such as logistics, consumption and finance. The Company will proactively leverage the resources of CDB in the areas of agriculture modernisation, logistics infrastructure and microcredit and will fully utilise the Company’s extensive knowledge and experience in finance, management and relevant industries to assist Yimidida, Wacai, G7, Spruce, PG Investment, Jinko Power, Beijing Far East and CPDH in enhancing their efficiency, exploring business opportunities, optimising the decision-making and incentive mechanisms and improving corporate governance practices continuously.

Jinko Power

On 29 September 2014, the Company had entered into a share subscription agreement (the “**Jade Sino Subscription Agreement**”) with CDBIH and Jade Sino, pursuant to which the Company and CDBIH agreed to subscribe for 11,904 and 13,096 ordinary shares of Jade Sino, representing approximately 23.81% and 26.19% of the enlarged issued share capital of Jade Sino respectively.

The principal asset of Jade Sino was the 13,404 preferred shares of JinkoSolar Power Engineering Group Limited (“**JinkoSolar Power**”) out of the total 26,809 preferred shares subscribed on 11 August 2014 by CDBIH. Upon completion of Jade Sino Subscription Agreement, Jade Sino applied the amount of US\$52.50 million (equivalent to approximately HK\$409.50 million) contributed by the Company and CDBIH to completing the subscription of the remaining 13,405 preferred shares of JinkoSolar Power. The subscription of the remaining 13,405 preferred shares of JinkoSolar Power by Jade Sino was completed on 13 November 2014.

In 2018, the performance of JinkoSolar Power continued to improve mainly due to the increase in the sales of electricity and engineering, procurement and construction income.

JinkoSolar Power submitted its IPO application form to China Securities Regulatory Commission in 2018 and the application is in progress, as the Company expected. The Company expects JinkoSolar Power can make a significant contribution to the Company’s performance after its listing.

PG Investment

On 15 December 2015, the Company had entered into a share subscription agreement with Jolly and an independent third party of the Company, pursuant to which Jolly agreed to issue an aggregate of 31,449 ordinary shares of Jolly and the Company as one of the investors agreed to subscribe for 7,245 ordinary shares of Jolly at a cash consideration of US\$25.00 million, representing approximately 23.04% of the enlarged issued share capital of Jolly. Jolly is an investment holding company incorporated in the Cayman Islands with limited liabilities. Jolly indirectly invested in PG Investment, a PRC company. PG Investment is a leading logistics warehouse infrastructure operator in the PRC, whose principal business includes investment, construction and operation of large scale logistics parks, business facilities and exhibition centers. Jolly and PG Investment are both independent third parties of the Group.

The principal business of PG Investment includes investment, construction and operation of large scale logistics parks, business facilities and exhibition centers. Currently, there are 8 operating projects of PG Investment. In 2018, its warehouse occupancy rate reached 100%, and its non-warehouse rental rate also increased significantly as compared with 2017. In early 2019, PG Investment completed the land bidding process of a new project, Huzhou Phase I project, which is expected to be completed by the end of 2019. The Company considers PG Investment’s operation relatively stable.

Spruce

On 24 November 2016, the Company had entered into an investment agreement with Spruce pursuant to which the Company agreed to subscribe for the newly issued convertible preferred shares of Spruce at a cash consideration of US\$25.70 million, representing approximately 1.24% of the enlarged issued capital of Spruce. Spruce is a holding company incorporated in the Cayman Islands and provides supply chain related services including ingredient procurement, warehousing and distribution to small-and-medium-sized restaurants in the PRC. It is the largest e-commerce platform in terms of gross merchandise volume in the area of supply chain for agricultural products in the PRC. By shortening the distribution process of agricultural products, improving the efficiency of agricultural products supply chain, and establishing large-scale warehousing and distribution system and the fine quality control for the whole process, Spruce is able to provide economic and efficient services for farmers and restaurant customers in the PRC’s agricultural products supply chain. Spruce is an independent third party of the Group.

Management Discussion and Analysis

Spruce completed round E1 and round F equity financings during the Year. In terms of its business, Spruce boosted the business coverage in new cities in 2018, and its revenue had increased substantially. However, due to the large initial investments in new cities, its losses increased too. In the future, Spruce will continue to increase its market share by shortening the distribution process of agricultural products, improving the efficiency of agricultural products supply chain, and providing economic and efficient services to farmers and restaurant customers in the agricultural supply chain industry in the PRC. The Company is confident in that Spruce will continue its business expansion at a satisfactory growth rate, and become one of the leaders in the agricultural supply chain industry in the PRC

G7

On 29 December 2016, a wholly-owned subsidiary of the Company had entered into a convertible preferred share subscription agreement with G7 pursuant to which the Group, as one of the investors, agreed to subscribe for the newly issued preferred shares of G7 at a cash consideration of US\$25.00 million, representing approximately 5.59% of the enlarged issued share capital of G7. G7 is a leading highway logistics artificial intelligence service and intelligent equipment supplier in China with its business coverage spanning across China and its neighboring countries in Asia. G7 is connected to over 800,000 cargo vehicles from more than 60,000 customers. By installing smart devices on vehicles in the fleet, G7 utilizes real-time sensing technology to provide data services that span the entire logistic process, to connect the data of every single vehicle, consignor, fleet owner and driver, and thus to improve the efficiency of transport service. Based on big data of the connected vehicles, G7 cooperates with premium partners from oil distribution, toll roads and bridges, insurance, banking and financial leasing industries to establish a one-stop service platform that integrates primary consumption of fleets. The platform enables safer, more economical, more efficient and more environmentally-friendly logistic services. G7 is an independent third party of the Group.

G7 completed round D equity financing during the year, setting a record for the global financing in the Internet of Things area. The Company considers G7's business achieved rapid development in 2018, with its business scales in security products, settlements, supply chain finance, insurance and oil products achieved significant growth as compared with last year. In the future, G7 will continue to use its own Internet of Things and artificial intelligence technology to help logistics customers improve operational efficiency, reduce costs and potential safety hazards, thereby to further increase its market share.

Wacai

On 8 April 2017, a wholly-owned subsidiary of the Company had entered into a preferred share purchase agreement with Wacai, pursuant to which the Group, as one of the investors, agreed to subscribe for the newly issued preferred shares of Wacai at a consideration of US\$25.00 million, representing approximately 3.09% of the enlarged issued share capital of Wacai.

Wacai is a leading online comprehensive financial planning and wealth management platform. With its devotion to providing one-stop online financial management tools, information and advisory services to its customers, Wacai has developed an ecosystem around personal financial planning, wealth management, credit management, and vertical online discussion forum. Based on the profound understanding of customer needs for wealth management, user-friendly product design, cutting edge finance technology, and rigorous risk management, Wacai has been providing consistent and high-quality services to over 47.00 million registered users in the past eight years. Wacai is an independent third party of the Group.

In 2018, due to the sudden tightening of regulation on Internet finance and the large-scale macro environment of de-leveraging, the business performance of Wacai was adversely affected. However, since the second half of 2018, the domestic liquidity pressure was gradually released, and Wacai had gradually shifted its business focus from the highly regulated person to person business to the credit and financial advertising businesses. Its credit business strategically focused on consumer financing, its monthly new loan amount rebounded rapidly, its risk indicators improved, and Wacai also began to access diversified sources of funds from institutional investors for such business. The financial advertising business of Wacai has been growing rapidly, and its contribution to Wacai's revenue increased substantially. The Company considers the diversification of Wacai's business will bring new growth points in revenue and profit sources to Wacai in the future.

Yimidida

On 30 November 2017, a wholly-owned subsidiary of the Company entered into a capital increment agreement with Yimidida, pursuant to which the Group, as one of the investors, agreed to subscribe for the shares newly issued by Yimidida at a consideration of RMB130.00 million in USD equivalent. Yimidida is principally engaged in the operation of the less-than-truckload freight network and was jointly established by several regional leading less-than-truckload logistics enterprises, Yimidida, with the mode of direct operation in core areas and regional franchise, unified the branding, systems, clearing, services and management standards of its partners along the whole ecological chain, and rapidly established the country-wide freight franchise network. Yimidida is an independent third party of the Group.

Yimidida completed round C-1 and round C-2 equity financings during the year. The Company considers Yimidida's business achieved a satisfactory development in 2018. Based on its country-wide franchise freight network, Yimidida gradually furthered the optimization and adjustment of the transport routes and the sortation centers, expanded the density of its last-mile service stations, and upgraded the existing products and services, which further improved its brand image and value-added service capability. During the Year, Yimidida completed the reorganization and integration of its major franchise member companies, and achieved the direct operation and management of primary places of origins. Yimidida ranked the first in terms of overall cargo volume in the PRC in 2018.

Management Discussion and Analysis

In January 2019, Yimidida made a further step by completing its round D equity financing with famous investment institutions such as Boyu Capital, with a total financing amount of RMB1.8 billion, setting a record of the amount of financing of the less-than-truckload freight industry in the PRC. In the future, Yimidida will continue to provide customers with cost-effective services, and strive to achieve economies of scale and improve profitability as soon as possible through the optimization of service stations, sortation centers and transport routes, as well as adjustment of product and services.

Beijing Far East

Beijing Far East is a company incorporated in the PRC and is a leading industrial precision instrument manufacturer in the PRC. The principal business of Beijing Far East is to manufacture meters and precise measuring instruments. During the Year, the development of Beijing Far East was stable, Beijing Far East is transforming from a purely precision instrument manufacturer to an integrated industry solution provider. The Company believes Beijing Far East can further expand its business by the rapid development of the industry of internet. Its carrying value is accounted by equity method. For details, please refer to Note 14 to the consolidated financial statements.

CPDH

CPDH is a company incorporated in the Cayman Islands with limited liability and principally engaged in investment of residential development project. CPDH did not carry out any business in 2018 and it is under litigation process. Its carrying value is accounted for using equity method. For details, please refer to Note 14 to the consolidated financial statements.

LISTED INVESTMENTS REVIEW

Securities Investments

NIO

On 1 December 2017, a wholly-owned subsidiary of the Company entered into a preferred share purchase agreement with NIO, pursuant to which the Group, as one of the investors, agreed to subscribe for the preferred shares newly issued by NIO at a consideration of US\$25.00 million. NIO is an independent third party of the Group.

The new energy automobile industry is a key area for China's development. The Chinese government has introduced a series of supportive policies and incentives to promote the development of the new energy automobile industry in recent years. Its long-term strong development trend has been widely recognized by the society. NIO is one of the leading representatives of China's new energy automobile industry, it also provides users with comprehensive, convenient and innovative charging solutions and other user-centric services.

In September 2018, NIO completed the initial public offering of 160,000,000 million ADSs on the New York Stock Exchange. The issue price was US\$6.26 per ADS, and the total offering size was approximately US\$ 1.0 billion. The listing symbol is "NIO". Each ADS represents one Class A ordinary share of NIO.

NIO's first high-end pure electric SUV model ES8 was launched in late 2017 and started to be delivered to consumers at the end of June 2018. A total of 11,348 vehicles were delivered, helping NIO achieved revenue of RMB4,951 million in 2018. NIO accelerated the construction of vehicle production line, and the establishment of sales and after-sales service networks, and continued the research and development activities of the subsequent model series, which resulted in a loss of RMB 9,639 million in 2018. As of the end of 2018, the audited net asset value of NIO was RMB6,821 million.

The second product of NIO, 5-seat high-end pure electric SUV model ES6, was officially launched by the end of 2018. The Company believes ES6 is a better fit into public demands. It is expected to be delivered to customers in mid-2019, which will likely bring considerable sales and revenue contribution to NIO in 2019. The Company approved the disposal of its interest in NIO on 6 March 2019. Please refer to "Subsequent Event" on page 27 of this report for details.

BEST INC.

On 18 January 2016, the Company had entered into a convertible preferred shares purchase agreement with Best Logistics as well as the members of Best Logistics group, the existing holders of the securities of Best Logistics and investors of the new preferred shares of Best Logistics, pursuant to which the Company, as one of the investors of the new preferred shares, agreed to subscribe for certain new preferred shares at a cash consideration of US\$30.00 million, representing 0.96% of the enlarged issued share capital of Best Logistics. In June 2017, the name of Best Logistics was changed to BEST Inc. In September 2017, BEST Inc. (NYSE: BSTI) completed its initial public offering of 45,000,000 ADSs, each representing one of its Class A ordinary shares, at US\$10.00 per ADS for a total offering size of US\$450.00 million. Its ADSs commenced trading on the New York Stock Exchange on 20 September 2017, under the symbol "BSTI."

Combining the Internet, information technology and traditional logistics services, BEST Inc. is committed to creating a one-stop logistics and supply chain service platform to provide customers with efficient services and experience. It is one of the largest integrated logistics service providers in China. Its multisided platform combines technology, integrated logistics and supply chain services, last-mile services and value-added services. BEST Cloud, the proprietary technology platform of BEST Inc., which seamlessly connects its systems with those of its ecosystem participants, is the backbone that powers its integrated services and solutions. Its logistics and supply chain services encompass B2B and B2C supply chain management, express and less-than-truckload delivery, cross-border supply chain management and a real-time bidding platform to source truckload capacity. Its last-mile services include online merchandise sourcing and store management for convenience stores as well as B2C services. In addition, it provides value-added services to support its ecosystem participants and help them grow.

BEST Inc. continued to maintain a high growth rate and achieved revenue of RMB27.961 billion in 2018, representing an increase of 39.9% as compared with 2017. Despite the adverse impact of the overall price war in the express delivery industry during the Year, by virtue of its excellent cost control, BEST Inc. achieved a gross margin of 5.2%, representing an increase of 2.9 percentage points as compared with 2017. BEST Inc. recorded a loss of RMB508 million for the whole year of 2018, representing a significant decrease of 58.6% as compared with 2017. At the same time, BEST Inc. also recorded a non-GAAP profit of RMB 20 million for the first time during the fourth quarter of 2018, indicating that its business scale has entered into a stage of making profit. As at 31 December 2018, the audited net asset value of BEST Inc. was RMB4,140 million. BEST Inc. will continue to strive for rapid business growth in 2019, and focus on its cost control measures. The Company believed that the profitability of BEST Inc. will continue to improve in 2019.

EMPLOYEES

As at 31 December 2018, the Company had 6 employees (31 December 2017: 6 employees). The total staff costs of the Group for the Year was approximately HK\$6.00 million (2017: HK\$5.29 million). The Company determines its staff remuneration in accordance with prevailing market salary scales, individual qualifications and performance. Remuneration packages of the Company's employees including basic salary, double pay, performance bonuses and mandatory provident fund are reviewed on regular basis.

GEARING RATIO

The Group had outstanding short-term borrowings of HK\$546.00 million as at 31 December 2018 (31 December 2017: HK\$546.00 million). As at 31 December 2018, the Group's current ratio (current assets to current liabilities) was approximately 53% (2017: 17%). The ratio of total liabilities to total assets of the Group was approximately 25% (2017: 27%). On 3 April 2017, the Company had entered into an uncommitted revolving loan facility agreement (the "**Facility Agreement**") with China Minsheng Banking Corp., Ltd., Hong Kong Branch ("**CMBC HK**") with CMBC HK as lender and the Company as borrower, pursuant to which CMBC HK will provide an uncommitted revolving loan facility to the Company in the amount of up to US\$100.00 million (the "**Loan**"). As at 31 December 2018, the Group had drawn down US\$70.00 million (equivalent to approximately HK\$546.00 million) under the Facility Agreement. CMBC HK is a licensed financial institution under the laws of Hong Kong and a wholly-owned subsidiary of China Minsheng Banking Corp., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600016, and listed on the Stock Exchange, stock code: 01988). CMBC HK is a third party independent of and not connected with the Company and its connected persons.

EXCHANGE EXPOSURE

The Group had an insignificant exchange risk exposure under review since all the retained cash was denominated in Hong Kong Dollars and placed in several major banks in Hong Kong. The Group did not have significant exchange rate risk in 2018. It is the Group's policy for its operating entities to operate by using their corresponding local currencies to minimise currency risks.

FUTURE PROSPECTS

The Company has been committed to identifying and exploring high-quality investment opportunities and has established certain investment layout in areas including, but not limited to, logistics infrastructure, Internet finance, new energy and supply chain services. The company expects the logistics industry will maintain good growth, logistics industry is a fundamental and strategic industry which supports the national economic development and is also a key industry which CDB, the ultimate controlling shareholder of the Company, supports. The Company will proactively leverage the resources of CDB in logistics infrastructure and microcredit based on its existing logistics network with its extensive industry knowledge and experience in finance and management in order to assist the Company in continuously enhancing its efficiency, exploring business opportunities, optimising the decision-making process and incentive mechanism and improving corporate governance practices, continue to focus on identifying and exploring suitable investment opportunities in the logistics industry. The Company will continue to actively pursue opportunities to bring the best returns to the Shareholders and pave the way for business growth. Looking forward, the management believe that the business and operating environment is full of challenges and volatility. In order to improve the performance of the Group and deliver the best returns to the Shareholders, the Group will continue to look for investment opportunities which strengthen profitability with acceptable risk of the portfolio of the Group by continuing to diversify its investments in different segments, for example, photovoltaic power generation, Fin-tech and premium vehicles segments. The management will continue to closely monitor the market situation and enhance its operation in all areas, to raise levels of financial discipline and improve profitability of the Group.

Report of the Directors

The Board presents this report to the Shareholders together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The Company is an investment company incorporated in the Cayman Islands. Its investment objective is to achieve medium-term to long-term capital appreciation of its assets primarily through investments in money market securities, equity and debt related securities in listed and/or unlisted companies or entities on a global basis. The activities of the subsidiaries are set out in Note 25 to the consolidated financial statements of this report.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal subsidiaries and associates as at 31 December 2018 are set out in Notes 25 and 14, respectively, to the consolidated financial statements of this report.

RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income as set out on page 65 of this report.

BUSINESS REVIEW

The business review of the Group for the Year is set out in the section headed "Management Discussion and Analysis" on page 5 of this report under the heading "Overall Performance" and the paragraphs below.

For the Year, the Group recorded a profit for the year attributable to owners of the Company of approximately HK\$139.58 million (2017: HK\$176.96 million) which is primarily attributable to the net valuation gains in fair value of financial assets at fair value through profit or loss during the Year. The finance income during the Year was approximately HK\$0.05 million (2017: HK\$0.04 million). The net valuation gains on fair value of financial assets at fair value through profit or loss amounted to approximately HK\$174.31 million (2017: HK\$191.73 million) was recorded in the Year. The general and administrative expenses of the Group for the Year were approximately HK\$15.16 million (2017: HK\$13.99 million). The increase was mainly resulted from the increase in employee benefits expenses and legal and professional fees incurred during the Year. The finance expenses during the Year were approximately HK\$20.23 million (2017: HK\$4.36 million). The Group's net asset value increased to approximately HK\$1,623.94 million (2017: HK\$1,487.67 million). Earnings per share for the Year was amounted to approximately HK4.81 cents (2017: HK6.10 cents).

Financial key performance indicators (Notes)

	2018 HK\$	2017 HK\$	Change percentage
Net valuation gains in fair value of financial assets at fair value through profit or loss	174,308,876	191,728,343	(9%)
General and administrative expenses	(15,161,023)	(13,990,708)	(8%)
Finance income	52,445	36,807	42%
Profit before tax	139,738,316	176,547,163	(21%)
Earnings per share	0.048	0.061	(21%)
Bank balance and cash	59,154,395	92,873,839	(36%)
Net asset value per share	0.56	0.51	10%
Current ratio	0.53	0.17	212%

Note 1: Reason for choosing the financial key performance indicators and relationship with the Group's objective

The Company is an investment company incorporated in the Cayman Islands. Its investment objective is to achieve medium-term to long-term capital appreciation of its assets primarily through investments in money market securities and equity and debt related securities in listed and/or unlisted companies or entities on a global basis. Management of the Company closely monitors the financial key performance indicators on a regular basis.

Note 2: Trend represented by each financial key performance indicators

Please refer to the "Management Discussion and Analysis" for the trend analysis.

Note 3: Difference between the financial key performance indicators and financial statements

No difference is noted between the financial key performance indicators and the financial statements.

Key risks factors

The key risks factors of the Group are set out in the heading "Management Discussion and Analysis" on page 5 under a section headed "Exchange Exposure" and Note 3.2 to the consolidated financial statements in this report respectively. Besides, the following sections list out the key risks and uncertainties which the Group faces. It is a non-exhaustive list and there may be other risks and uncertainties in addition to the key risks factors outlined below. Besides, this report does not constitute a recommendation or advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Currency risk

The Group is exposed to a variety of financial risks through its use of financial instruments in its ordinary course of operation and its investment activities. The Group will continue to closely monitor the financial risks by alleviating the currency risk through denominated its investments in US\$. Since US\$ is pegged to the HK\$, the currency risk of the Group is not significant. Besides, the cash and bank deposit of the Group are deposited with authorised banks located in Hong Kong with high credit rating, therefore the related credit risk for such is minimal and no related significant impact is noted on the business operation of the Group.

Report of the Directors

Financing risk

The unfavorable global market conditions may adversely affect the ability of the Group to acquire financing, and any decline in the liquidity of the global capital markets may adversely affect the markets in Hong Kong and limit our ability to obtain funds. However, the Group strived to enhance its liquidity risk management through carefully monitoring the cash flows and financing strategies and no related significant impact is noted on the business operation of the Group.

Future development and important events after the end of the financial year

Looking ahead, the business environment remains very challenging as the downward pressure on economy of the PRC and the global financial and economic conditions are expected to remain unstable. Nevertheless, the Group will cautiously review and adjust the business strategies from time to time, and seek the best returns to maximise value of the Shareholders. The Group believes that the logistic industry will continue to grow and create a higher return.

Environmental policies and performance

The Group is committed to the long term sustainability of the environment and communities in which it operates. As an investment company, we pride ourselves as an environmental-friendly corporation. We are aware that, minimising the consumption of resources and adoption of best environmental practices in the business process of the Group to the extent practicable is our underlying commitment to preserving and improving the environment. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopts effective measures to achieve the efficient use of resources, energy saving and waste reduction. Green initiatives include recycling of used papers, energy saving and water saving. The Board is pleased to present you the environmental, social and governance report (the “**ESG Report**”) set out on pages 43 to 59 of this report which depicts the performance on the sustainability of the Group.

Relationship with suppliers, customers, employees and other stakeholders

The Group understands the importance of maintaining a good relationship with its suppliers, customers, employees and other stakeholders to meet the Group’s immediate and long-term goals. Although there are no major customers and suppliers during the Year, as disclosed in the section headed “Major Customers and Suppliers” on page 27 of this report, the Company creates a framework for motivating staff and a formal communication channel in order to maintain healthy relationships with its employees and other stakeholders.

Compliance with the relevant laws and regulations

In relation to human resources, the Group is committed to complying with the requirements of the ordinances relating to disability, gender, family status and racial discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees. On the corporate level, the Group complies with the requirements under the Companies Law (Revised) under the laws of Cayman Islands, the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), the Companies Ordinance (Chapter 622) and the Securities and Futures Ordinance (the “**SFO**”) under the laws of Hong Kong for, among other things, the disclosure of information and corporate governance, and the

Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in the Appendix 10 to the Listing Rules. The Company uses the restricted word “Bank” as its company name under the approvals granted by Cayman Islands Monetary Authority (“**CIMA**”) and Hong Kong Monetary Authority (“**HKMA**”) in 2012. The Company complies with certain requirements and conditions under the approvals granted by CIMA and HKMA pursuant to the Banks and Trust Companies Law (2009 Revision) under the laws of Cayman Islands and Banking Ordinance under the laws of Hong Kong respectively.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is given on page 114 of this report.

DIVIDEND

The Directors do not recommend the payment of any dividend for the Year (2017: Nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the “**AGM**”) will be held on Monday, 24 June 2019. For further details of the AGM, please refer to page 38 of this report or the notice of AGM to be dispatched in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of the Shareholders who are entitled to attend and vote at the forthcoming AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 18 June 2019. The register of members of the Company will be closed from Wednesday, 19 June 2019 to Monday, 24 June 2019 (both dates inclusive), during which period no share transfers will be registered. Shareholders whose names appear on the register of members of the Company on Monday, 24 June 2019 are entitled to attend and vote at the AGM.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment are set out in Note 13 to the financial statements.

SHARE CAPITAL

Details of the Company’s issued share capital during the Year are set out in Note 19 to the financial statements. Please also refer to capital structure as set out on page 6 of this report.

SHARES ISSUED

The Company has not issued any share during the Year.

Report of the Directors

DEBENTURES ISSUED

The Company has not issued any debenture during the Year.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into the Group or existed during the Year.

RESERVES

Movements in the reserves of the Group and of the Company during the Year are set out in the consolidated statement of changes in equity and page 67 to the financial statements of this report.

DISTRIBUTABLE RESERVE

As at 31 December 2018, the aggregate amount of reserve available for distribution to equity shareholders of the Company was HK\$1,332,595,496 (2017: HK\$1,280,072,821).

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were:

Executive Directors

Mr BAI Zhe

(Chairman)

Mr ZHANG Jielong

(Deputy Chief Executive Officer) (resigned on 29 March 2019)

Independent Non-executive Directors

Mr WANG Xiangfei

Mr SIN Yui Man

Mr FAN Ren Da, Anthony

Mr SIN Yui Man and Mr FAN Ren Da, Anthony will retire by rotation from the Board in accordance with Article 88 of the articles of association of the Company (the “**Articles**”) at the AGM. Mr SIN Yui Man and Mr FAN Ren Da, Anthony, being eligible, offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Company are set out on pages 28 to 30 of this report.

DIRECTORS' SERVICE CONTRACT

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any Director proposed for re-election at the AGM.

EMOLUMENTS OF DIRECTORS

Please refer to Note 9 of the consolidated financial statements of this report for details of the emoluments of the Directors. The emoluments payable to the Directors are determined with reference to responsibilities, years of service and performance of each individual, the results of the Group and the prevailing market rate.

PERMITTED INDEMNITY PROVISION

Articles provide that every Director is entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company and its listed subsidiaries have taken out and maintained directors' liability insurance throughout the Year, which provides appropriate cover for the Directors and directors of the subsidiaries of the Company. Such provisions were in force during the course of the Year and remained in force as of the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

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

As at 31 December 2018, none of the Directors or the chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein, or which were required, pursuant to Model Code, to be notified to the Company and the Stock Exchange.

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

So far as is known to any Directors or chief executive of the Company, as at 31 December 2018, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept the Company under section 336 of the SFO:

Long positions in the shares and underlying shares of the Company

Name of Shareholder	Nature of Interests	Number of issued shares of the Company held	Approximate percentage of the existing issued share capital of the Company
CDB ^(Note 1)	Corporate Interest	1,920,000,000	66.16%
China Development Bank Capital Corporation Ltd. (國開金融有限責任公司) ("CDBC") ^(Note 1)	Corporate Interest	1,920,000,000	66.16%
CDBIH ^(Note 1)	Corporate Interest	1,920,000,000	66.16%
Mr LUI Tong ^(Note 2)	Corporate Interest	163,702,560	5.64%
Yoobright Investments Limited ("Yoobright") ^(Note 2)	Corporate Interest	163,702,560	5.64%

Notes:

1. CDBIH a wholly-owned subsidiary of CDBC. CDBC is a wholly-owned subsidiary of CDB. Thus, CDB and CDBC are deemed to be interested in the same percentage of shares held by CDBIH.
2. Yoobright is beneficially and wholly owned by Mr LIU Tong. Mr LIU Tong is therefore deemed to be interested in the same percentage of shares held by Yoobright.

Save as disclosed above, as at 31 December 2018, the Company had not been notified by any person, other than Directors and chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in the Articles nor are there any pre-emptive rights provisions generally applicable under the law of the Cayman Islands.

TAXATION OF HOLDERS OF SHARES

(a) Hong Kong

Dealings in shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares. Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under present Cayman Islands law, transfer or other dispositions of shares are exempted from Cayman Islands stamp duty.

(c) Professional tax advice recommended

Shareholders and intending holders of shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in shares.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, Mr BAI Zhe and Mr ZHANG Jielong held certain positions in CDB group, which engaged in the same businesses of investment in Hong Kong and overseas as the Company. The potential conflicts of interest may arise in the allocation of investment opportunities to the Company and the other entities under CDB group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

None of the Directors or their connected entities is materially interested either directly or indirectly in any transaction, arrangement or contract entered into with any member of the Group which contract or arrangement is subsisting at any time during the Year or as at 31 December 2018 which is significant to the business of the Group taken as a whole.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Company had conducted review of their related party transactions as set out in Note 21 to the consolidated financial statements in this report and are satisfied that related party transactions which constitute connected transactions or continuing connected transactions were properly disclosed in accordance with the Listing Rules.

Investment Management Agreement

With the previous investment management agreement expired on 31 August 2017, on 31 August 2017, the Company renewed the investment management agreement (the “**Investment Management Agreement**”) with HuaAn Asset Management (Hong Kong) Limited (“**HuaAn**”), pursuant to which HuaAn has agreed to act as the investment manager of the Company and to provide investment management services to the Company for a period of three years commencing from 1 September 2017 and expiring on 31 August 2020, for a management fee payable of HK\$350,000 per annum. During the Year, the Company incurred a fee of HK\$350,000 to HuaAn. HuaAn is a connected person of the Company pursuant to Rule 14.08 of the Listing Rules and the transactions contemplated under the Investment Management Agreement (together with the annual caps) constitute continuing connected transactions. Management fee payable by the Company is HK\$350,000 per annum, and each of the percentage ratios on an annual basis was less than 5% on 31 August 2017. The transaction contemplated under the Investment Management Agreement thus constitutes a continuing connected transaction pursuant to Chapter 14A of the Listing Rules and are therefore subject to the reporting, announcement, annual review requirements but are exempt from the independent Shareholders’ approval requirements pursuant to Rule 14A.76 of the Listing Rules. HuaAn was a company incorporated on 10 June 2010 in Hong Kong with limited liability and is a corporation licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

In accordance with Rule 14A.56 of the Listing Rules, the auditor of the Company has performed certain agreed upon procedures in respect of the continuing connected transactions and reported that the transactions entered into:

- (a) were approved by the Board of the Company;
- (b) were, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
- (c) were entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- (d) have not exceeded the relevant annual caps.

In accordance with Rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have reviewed and approved the continuing connected transactions and confirmed that the continuing connected transactions were carried out in accordance with the following principles:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's Shareholders as a whole.

Loan Agreement

On 11 November 2016, the Loan Agreement was entered into between CDBIH as lender and the Company as borrower, pursuant to which CDBIH will provide a term loan to the Company in an amount of up to US\$100,000,000, at an interest rate of 1.65% per annum over US\$ 3-month LIBOR. The loan will be repayable on the date falling twelve months after the date of first drawdown, which may be automatically extended for another twelve months unless notified by either CDBIH or the Company not to extend repayment. The Company has not utilised the loan during the Year. On 11 November 2016, CDBIH held approximately 66.16% of the issued share capital of the Company and is the controlling Shareholder. Accordingly, CDBIH is a connected person of the Company, and entering into the Loan Agreement between the Company and CDBIH constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the Board considers that as (i) the Loan Agreement has been entered into after arm's length negotiations between the Company and CDBIH and determined on normal commercial terms or better, and (ii) the loan is not secured by any asset of the Group, the loan is fully exempted from the Shareholders' approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules. Save as disclosed above, during the Year, the Group did not enter into any connected transactions or continuing connected transactions which require the compliance with the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. A summary of significant related party transactions that did not constitute connected transactions made during the Year was disclosed in note 21 to the financial statements of this report.

SHARE OPTION SCHEME

The share option scheme adopted by the Company on 7 February 2005 (the "**Share Option Scheme**") has been expired. No option had been granted by the Company since the adoption of the Share Option Scheme. There are no options outstanding as at 31 December 2018. None of the Directors or chief executive of the Company, or their respective associates had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the Year.

ARRANGEMENTS TO PURCHASE SHARES BY DIRECTORS

At no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debenture of the Company or any other body corporate.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 31 to 39 in this report.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

INVESTMENTS

Details of the Group's investments as at 31 December 2018 are set out on pages 7 to 14 in this report.

BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

On 3 April 2017, the Company had entered into a Facility Agreement with CMBC HK as lender and the Company as borrower, pursuant to which CMBC HK will provide a Loan to the Company in the amount of up to US\$100.00 million. As at 31 December 2018 and 31 December 2017, the Group had drawn down US\$70.00 million (equivalent to approximately HK\$546.00 million) under the Facility Agreement. CMBC HK is a licensed financial institution under the laws of Hong Kong and a wholly-owned subsidiary of China Minsheng Banking Corp., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600016, and listed on the Stock Exchange, stock code: 01988). CMBC HK is a third party independent of and not connected with the Company and its connected persons.

INTEREST CAPITALISED

There is no interest capitalised by the Group during the Year.

DONATIONS

There is no charitable and other donations made by the Group during the Year (2017: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

As the Group is engaged in investment holding for medium to long-term capital appreciation purposes, and investment in listed and unlisted securities, there are no major customers and suppliers during the Year.

REVIEW OF THE ANNUAL RESULTS BY THE AUDIT COMMITTEE

As at 31 December 2018, all members of the Audit Committee are independent non-executive Directors. The Audit Committee acts in an advisory capacity and makes recommendations to the Board. The Group's 2017 annual results were reviewed and recommended to the Board for approval by the Audit Committee.

INDEPENDENT NON-EXECUTIVE DIRECTORS' INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, an annual confirmation or a confirmation letter of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at the Latest Practicable Date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rule during the year.

SUBSEQUENT EVENT

On 6 March 2019, the Board approved the potential disposal of the NIO ADSs held by the Company on the New York Stock Exchange, which was also approved by CDBIH in written. Please refer to the relevant announcement published by the Company on 6 March 2019. The carrying value of the investment in NIO of HK\$232.05 million as at 31 December 2018, was classified as financial asset at fair value through profit or loss in the consolidated statement of financial position.

AUDITOR

The consolidated financial statements for the Year have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of our Group will be proposed at the AGM.

By Order of the Board

China Development Bank International Investment Limited

BAI Zhe

Chairman

Hong Kong, 29 March 2019

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr BAI Zhe (Chairman)

Mr BAI Zhe, aged 42, has been appointed as an executive Director of the Company since 20 January 2014. He is also the chairman of the Board and the chairman of the nomination committee of the Company. He currently is the deputy chief executive officer of CDBIH. Mr BAI joined the Company in July 2012 as the managing director of the Company. He served as the chief operating officer of CDBIH from 2013 to 2014. Prior to that, Mr BAI served as the deputy division head of Direct Investment Division IV and the division head of International Business Division of CDBC from 2011 to 2014. From 1998 to 2011, Mr BAI had been working at, in chronological order, Tianjin Branch, a working mission of South America, Hong Kong Branch and International Finance Department of CDB. Mr BAI obtained a Bachelor's degree in Law from Xiamen University in 1998 and a Doctor's degree in Economics from Beijing Jiaotong University in 2017. Mr BAI has extensive experience in general corporate management, international banking, finance and investment management.

Mr ZHANG Jielong (Deputy Chief Executive Officer) (Resigned on 29 March 2019)

Mr ZHANG Jielong, aged 36, has been appointed as an executive Director of the Company since 22 June 2015. He is also the Deputy Chief Executive Officer and head of Direct Investment Division of the Company. Mr ZHANG also serves as a managing director of CDBIH. From May 2014 to June 2016, he served as an executive director of CDBIH. Mr ZHANG joined the Company in August 2012. From July 2011 to August 2012, Mr ZHANG served as an advisor of CDBC. Prior to joining the group of CDB, Mr ZHANG worked at the private equity arm of Mizuho Securities' Hong Kong office as a vice president from 2007 to 2011. Mr ZHANG started his professional career at PricewaterhouseCoopers Beijing office in 2004 and worked as a senior auditor from 2004 to 2007. Mr ZHANG obtained a double bachelor degree of arts and economics from Beijing Foreign Studies University in 2004, a master degree of business administration from The Chinese University of Hong Kong in 2011 and a postgraduate diploma in finance from Tsinghua University in 2011. Mr ZHANG is a member of Hong Kong Securities and Investment Institute. Mr ZHANG has extensive experience in private equity investment and fund management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr WANG Xiangfei

Mr WANG Xiangfei, aged 67, has been appointed as an independent non-executive Director of the Company since 21 March 2012. He is also the chairman of the audit committee and a member of the nomination committee of the Company. Mr WANG has been appointed as a member of remuneration committee of the Company with effect from 16 March 2017. Mr WANG is the vice chief financial officer of Sonangol Sinopec International Limited and the financial advisor of China Sonangol International Holding Limited. He is also an executive director of Nan Nan Resources Enterprise Limited (listed on the Stock Exchange, stock code:1229). Besides, Mr WANG is an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited (listed on Shanghai Stock Exchange and the Stock Exchange, A shares stock code: 600874; H shares stock code: 1065) ("**Tianjin Capital**"). He was also an independent non-executive director of Tianjin Capital for the period from April 2002 to April 2008. Mr WANG has worked in senior management teams of a couple of companies engaging in banking and other financial services. Mr WANG is a senior accountant, graduated from Renmin University of China, majoring in finance and received a bachelor degree in economics. Mr WANG had worked in the Faculty of the Finance Department of Renmin University of China. In the last six years, Mr WANG was an external supervisor of Shenzhen Rural Commercial Bank and an independent non-executive director of China CITIC Bank Corporation Limited (listed on Shanghai Stock Exchange and the Stock Exchange, A shares stock code: 601998; H shares stock code: 998), Shandong Chenming Paper Holdings Limited (listed on Shanghai Stock Exchange, Shenzhen Stock Exchange and the Stock Exchange, A shares stock code: 000488; B shares stock code: 200488; H shares stock code: 1812) and SEEC Media Group Limited (listed on the Stock Exchange, stock code: 205) for three years.

Mr SIN Yui Man

Mr SIN Yui Man, aged 61, has been appointed as an independent non-executive Director of the Company since 1 September 2014. He is also the chairman of the remuneration committee and a member of the audit committee of the Company. Mr SIN has over 30 years of experience in treasury and corporate banking. Prior to joining the Company, Mr SIN served in Ping An Bank Co., Ltd., (listed on the Shenzhen Stock Exchange, stock code: 000001), Hong Kong Representative Office as the Chief Representative; Agricultural Bank of China Limited (listed on the Stock Exchange, stock code: 1288) as Alternate Chief Executive in its Hong Kong Branch; as well as in senior management positions at Standard Chartered Bank and Société Générale S.A. (SocGen) in Hong Kong. In 2011, Mr SIN was elected as a member of the Chief Executive Election Committee in Hong Kong. He is currently serving as a member in the Committee on Shopping-Related Practices of the Travel Industry Council of Hong Kong, as well as the Secretary General of the Friends of Dunhuang Hong Kong. Mr SIN is a graduate of the Social Science Faculty of the University of Hong Kong, and possesses a post-graduate degree in Master of Business Administration from INSEAD.

Biographical Details of Directors and Senior Management

Mr FAN Ren Da, Anthony

Mr FAN Ren Da, Anthony, aged 58, has been appointed as an independent non-executive Director of the Company since 21 March 2012. He is also a member of the audit committee, a member of the remuneration committee and a member of the nomination committee of the Company. Mr FAN holds a Master's Degree in Business Administration from the United States of America. He is the chairman and managing director of AsiaLink Capital Limited. Mr FAN is also the independent non-executive director of Technovator International Limited (listed on the Stock Exchange, stock code: 1206), Raymond Industrial Limited (listed on the Stock Exchange, stock code: 229), Shanghai Industrial Urban Development Group Limited (listed on the Stock Exchange, stock code: 563), Renhe Commercial Holdings Company Limited (listed on the Stock Exchange, stock code: 1387), Tenfu (Cayman) Holdings Limited (listed on the Stock Exchange, stock code: 6868), CITIC Resources Holdings Limited (listed on the Stock Exchange, stock code: 1205), Uni-President China Holdings Ltd. (listed on the Stock Exchange, stock code: 220), Hong Kong Resources Holdings Company Limited (listed on the Stock Exchange, stock code: 2882), Neo-Neon Holdings Limited (listed on the Stock Exchange, stock code: 1868) and Semiconductor Manufacturing International Corporation (listed on the Stock Exchange, stock code: 981).

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Throughout the Year, the Directors believe that the Company complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules for the Year. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision-making processes are regulated in a proper and prudent manner.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries by the Company, the Directors have confirmed that they have complied with the required standards as set out in the Model Code during the Year.

BOARD OF DIRECTORS

As at the date of this report, the Board comprised five Directors, including two executive Directors, namely Mr BAI Zhe and Mr ZHANG Jielong and three independent non-executive Directors, namely Mr WANG Xiangfei, Mr SIN Yui Man and Mr FAN Ren Da, Anthony. Each Director possesses expertise and experience and provides checks and balances for safeguarding the interests of the Group and the Shareholders as a whole. Mr WANG Xiangfei, one of the three independent non-executive Directors, possesses appropriate professional accounting qualifications and financial management expertise. The independent non-executive Directors, as equal Board members, gave the Board and the Board committees on which they serve the benefit of their skills, expertise and various backgrounds and qualifications through regular attendance and active participation. The independent non-executive Directors had attended the general meetings of the Company and developed a balanced understanding of the views of Shareholders. The biographical details of the current Directors are set out on pages 28 to 30 of this report.

Diversity policy

The Company has adopted a Board diversity policy (the “**Diversity Policy**”) which became effective in August 2013. This Diversity Policy aims to set out the approach to achieve diversity on the Board of Directors. All Board appointments are based on merits, and have paid due regard for the benefits of diversity on the Board in selecting candidates. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates may bring to the Board. The Board’s composition (including gender, ethnicity, age and length of service) will be disclosed in the Corporate Governance Report annually.

As at the date of this annual report, the Board comprises four Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. In terms of the factors mentioned above, especially, professional and professional background and skills, the Board is characterised by significant diversity.

Responsibilities of Directors

The Board is responsible for formulating the overall strategic development, reviewing and monitoring the business performance of the Group, approving investment proposals as well as approving the financial statements of the Group. The independent non-executive Directors, with a wide range of expertise and a balance of skills, bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings. The independent non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Company has received annual confirmation from each independent non-executive Director that they have met all the independence requirements set out in Rule 3.13 of the Listing Rules, the Board considers these independent non-executive Directors to be independent. Every newly appointed director of the Company should receive a comprehensive, formal and tailored induction covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed Company on appointment. Subsequently, all Directors should have access to the professional development opportunities necessary to ensure that they have a proper understanding of the Company's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. Besides, the Company had arranged a professional training to the Directors to develop and refresh their knowledge and skills relevant to the directors' duties during the Year. Mr BAI Zhe, Mr ZHANG Jielong, Mr WANG Xiangfei, Mr SIN Yui Man and Mr FAN Ren Da, Anthony participated in a training provided by the legal adviser to the Company, Freshfields Bruckhaus Deringer. During the Year, the Company had arranged the directors and officers liability insurance cover in respect of legal action against the Directors.

Board composition

During the Year, the names of the Directors had been disclosed in all corporate communications of the Company with the independent non-executive Directors identified. Besides, the Company had maintained on the websites of the Company and the Stock Exchange an updated list of the Directors identifying their roles and functions and whether they are independent non-executive Directors. The Board had determined regularly the disclosure in relation to each Director for any change, the number and nature of offices held in public companies or organizations and other significant commitments.

The Board

The Board meets regularly throughout the Year to review the overall strategy and to monitor the operation of the Group. The Company holds four regular Board meetings for a year at approximately quarterly intervals. Notice of at least 14 days for each of the regular meetings is given to the Directors. The Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying Board papers in respect of regular Board meetings are sent out in full to all Directors at least 3 days before the meetings. Draft and final versions of minutes of all Board meetings are circulated to Directors for comment and records respectively within a reasonable time after the Board meeting is held. Minutes of Board meetings and meetings of Board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it. During the Year, seven full board meetings (of which four were regular quarterly meetings) were held and the individual attendance of each director during his tenure is set out below:

Name of Director	Number of entitled board meetings attended	Attendance rate
Executive Directors		
Mr BAI Zhe	4	100%
Mr ZHANG Jielong	4	100%
Independent Non-executive Directors		
Mr WANG Xiangfei	4	100%
Mr SIN Yui Man	4	100%
Mr FAN Ren Da, Anthony	4	100%

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. During the Year, Mr BAI Zhe was the chairman of the Company. The roles of the chairman and chief executive officer are segregated with a clear division of responsibilities and are not exercised by the same individual. The chairman of the Board, Mr BAI Zhe, is an executive Director who is responsible for the leadership and effective running of the Board. During the Year, the chairman of the Board, Mr BAI Zhe, had ensured that all Directors are properly briefed on issues arising at Board meeting. He was responsible for ensuring that all Directors receive, in a timely manner, adequate information regarding the operation and governance of the Company which must be accurate, clear, complete and reliable. The Board has been making its best endeavours to identify an appropriate person for appointment as an executive director and the chief executive officer of the Company to maintain its good corporate governance practice and will continue to do so.

RE-ELECTION OF DIRECTORS

Each of the executive Directors of the Company has entered into a service contract with the Company for a term of three years. However, such term is subject to his re-appointment by the Company at the Shareholders' general meeting upon retirement by rotation pursuant to the Articles. In accordance with the relevant provisions in the Articles, the appointment of Directors is considered by the Board and they must stand for election by Shareholders at the relevant annual general meeting.

NON-EXECUTIVE DIRECTORS

The non-executive Director (if any) and independent non-executive Directors of the Company are appointed for a specific term but are subject to retirement by rotation and re-election at the Shareholders' annual general meetings in accordance with the provisions of the Articles.

AUDIT COMMITTEE

As at 31 December 2018, the Audit Committee comprised three members, namely, Mr WANG Xiangfei, Mr SIN Yui Man and Mr FAN Ren Da, Anthony. During the Year, all members of the Audit Committee were independent non-executive Directors. The chairman of the Audit Committee is Mr WANG Xiangfei, an independent non-executive Director of the Company. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The members of the Audit Committee meet regularly to review the reporting of financial and other information to shareholders, the internal control systems, risk management, the effectiveness and objectivity of the audit process. The Audit Committee acts in an advisory capacity and makes recommendations to the Board. The terms of reference of the Audit Committee which explained the role and the authority delegated to the Audit Committee by the Board adopted and revised in 2015 is available on the websites of the Company and the Stock Exchange. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the financial statements for the Year. Audit Committee had considered the matters in connection with the resignation and appointment of the independent auditors and agreed with the conclusions in arriving at the resignation and appointment of the independent auditors. During the Year, two Audit Committee meetings were held and the individual attendance of each member during his tenure is set out below:

Name of Director	Number of Audit Committee meetings attended	Attendance rate
Mr WANG Xiangfei	2	100%
Mr SIN Yui Man	2	100%
Mr FAN Ren Da, Anthony	2	100%

REMUNERATION COMMITTEE

As at 31 December 2018, the Remuneration Committee of the Company (the “**Remuneration Committee**”) comprised three members, namely Mr WANG Xiangfei, Mr SIN Yui Man and Mr FAN Ren Da, Anthony. During the Year, the majority members of the Remuneration Committee were independent non-executive Directors. The chairman of the Remuneration Committee is Mr SIN Yui Man, an independent non-executive Director of the Company. The Remuneration Committee advises the Board on the Group’s overall policy and structure for the remuneration of Directors and senior management. The terms of reference of the Remuneration Committee which explained the role and the authority delegated to the Remuneration Committee by the Board was adopted and revised in 2012 and is available on the websites of the Company and the Stock Exchange. In determining the emolument payable to Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions of the Group and the desirability of performance-based remuneration. During the Year, the Remuneration Committee had made recommendations to the Board on the Group’s overall remuneration policy, the remuneration packages of individual executive Directors and senior management. During the Year, three Remuneration Committee meetings were held and the individual attendance of each member during his tenure is set out below:

Name of Director	Number of Remuneration Committee meetings attended	Attendance rate
Mr SIN Yui Man	1	100%
Mr FAN Ren Da, Anthony	1	100%
Mr WANG Xiangfei	1	100%

NOMINATION COMMITTEE

As at 31 December 2018, the nomination committee of the Company (the “**Nomination Committee**”) comprised three members, namely Mr BAI Zhe, Mr WANG Xiangfei and Mr FAN Ren Da, Anthony. During the Year, the majority members of the Nomination Committee were independent non-executive Directors. The chairman of the Board, Mr BAI Zhe is also the chairman of the Nomination Committee. The Nomination Committee reviews the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy. The Nomination Committee also performs the duties to (a) identify individuals suitably qualified to become Board members and to select or to make recommendations to the Board on the selection of individuals nominated for directorship; (b) to assess the independence of independent non-executive directors; (c) to make recommendations to the Board concerning the appointment or reappointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive officer; and (d) to perform any other duties prescribed by law, regulation and rules, as amended from time to time, which set forth obligations for the Company to comply with. The terms of reference of the Nomination Committee which explained the role and the authority delegated to the Nomination Committee by the Board was adopted in 2012 is available on the websites of the Company and the Stock Exchange. During the Year, the Nomination Committee had reviewed the progress of implementation of Diversity Policy and the structure, size and composition of the Board including the Directors’ skills, knowledge and experience and had made recommendations to the Board on the appointment of the individuals as the Director and chief executive of the Company.

Corporate Governance Report

During the Year, two Nomination Committee meeting was held and the individual attendance of each member during his tenure is set out below:

Name of Director	Number of Nomination Committee meeting attended	Attendance rate
Mr BAI Zhe	1	100%
Mr WANG Xiangfei	1	100%
Mr FAN Ren Da, Anthony	1	100%

AUDITOR'S REMUNERATION

PricewaterhouseCoopers was appointed by the Shareholders as the Company's auditor at the annual general meeting held on 15 June 2018 (the "2017 AGM"). The audit services engagement for 2017 had been reviewed and approved by the Audit Committee.

During the Year, the remuneration paid to PricewaterhouseCoopers for the audit and non-audit services rendered to the Group were as follows:

	HK\$
Annual audit services	1,047,370
Other non-audit services ^(Note 1)	368,130

Notes:

1. PricewaterhouseCoopers had provided tax compliance services and other services in relation to the review on the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2018 and review on results announcement and continuing connected transaction for the Year.

COMPANY SECRETARY

Under the Code Provision F.1.3 of the CG Code, the company secretary should report to the board chairman and/or the chief executive. Mr YU Chi Kit was the company secretary of the Company and directly reported to Mr BAI Zhe, the chairman of the Board. Pursuant to Rule 3.29 of the Listing Rules, in each financial year the company secretary of the Company must take no less than 15 hours of relevant professional training. Mr Yu Chi Kit, the company secretary of the Company confirmed that he had taken no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules during the Year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the financial state of the Group. The Directors also ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavors to maintain a high level of transparency in communicating with Shareholders and the investment community at large. The Company is committed to maintaining an open and effective communication policy to update its Shareholders and investors on relevant information on its business through the annual general meetings, the annual and interim reports, notices, announcements, circulars as well as Company's website. The annual general meeting provides a useful forum for Shareholders to exchange views with the Board. Separate resolutions are proposed at the general meetings on each separate major issue, including the election of individual Directors.

Calling an extraordinary general meeting

Pursuant to the Article 58 of the Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company at the principal place of business in Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisition(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisition(s) as a result of the failure of the Board shall be reimbursed to the requisition(s) by the Company. The requisition must (i) state the objects of the meeting: (ii) state the name(s) of the requisition(s): (iii) state the contact details of the requisition(s): (iv) state the number of ordinary shares of the Company held by the requisition(s): (v) be signed by the requisition(s) and (vi) be deposited at the Company's head office and principal place of business in Hong Kong at Suites 4506-4509, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong.

Putting enquiries to the Board

Shareholders may send their enquiries requiring the Board's attention to the company secretary of the Company at the Company's head office and principle office in Hong Kong. Questions about the procedures for convening or putting forward proposals at the annual general meeting or extraordinary general meeting may also be put to the company secretary by the same means.

Putting forward proposals at general meetings

Article 89 of the Articles provides that no person, other than a retiring Director of the Company at the meeting, shall be eligible for election to the office of Director of the Company at any general meeting unless:

- (i) such person is recommended by the Directors of the Company; or

- (ii) a notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office (as defined in the Articles) provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Accordingly, if a Shareholder wishes to nominate a person to stand for election as a Director of the Company at any general meeting, the following documents must be validly served on the company secretary of the Company within the abovementioned period at the head office or at the registered office of the Company, namely:

- (i) the Shareholder's signed notice of intention to propose a person for election as a Director of the Company at the general meeting;
- (ii) a notice signed by the nominated candidate indicated his/her willingness to be appointed;
- (iii) the candidate's information as required to be disclosed under Rule 13.51(2) of the Listing Rules; and
- (iv) the candidate's written consent to the publication of his/her personal information.

General meetings

On 15 June 2018, the Company had convened the 2017 AGM at Taishan Room, Level 5, Island Shangri-La, Pacific Place, Supreme Court Road, Central, Hong Kong. At the 2017 AGM, the Shareholders had passed the ordinary resolutions in relation to:

- (i) receive and consider the audited consolidated financial statements together with the reports of Directors and auditor of the Company for the year ended 31 December 2017;
- (ii) re-elect the retiring Directors and authorise the Board to fix the remuneration of the Directors;
- (iii) re-appoint Messrs. PricewaterhouseCoopers, Certified Public Accountants, as the auditor of the Company and to authorise the Board to fix their remuneration;
- (iv) grant the general mandate to the Directors to exercise the powers of the Company to issue and repurchase shares of the Company; and
- (v) approve the extension of the general mandate for the issue of shares by addition of the shares repurchased.

The individual attendance of each Director at the general meeting of the Company during his tenure is set out below:

Name of Director	Number of entitled general meeting attended	Attendance rate
Executive Directors		
Mr BAI Zhe	1/1	100%
Mr ZHANG Jielong	1/1	100%
Independent Non-executive Directors		
Mr WANG Xiangfei	1/1	100%
Mr SIN Yui Man	1/1	100%
Mr FAN Ren Da, Anthony	1/1	100%

The forthcoming annual general meeting of the Company will be held on 24 June 2019 at 11:00 am at Suites 4506-4509, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong. As at the date of this report, the Company issued 2,902,215,360 ordinary shares of HK\$0.01 each in the share capital of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The review on the risk management and internal control systems of the Company is set out in the section headed "Risk Management and Internal Controls" on pages 40 to 42 of this report.

Risk Management and Internal Controls

RESPONSIBILITY

The Board has the overall responsibility to ensure that sound and effective internal controls and risk management are maintained, while management is responsible to design and implement an internal controls system to manage risks. A sound and effective system of internal controls is designed to identify and manage the risk of failure to achieve business objectives. The Board acknowledges that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

OUR RISK MANAGEMENT FRAMEWORK

The Board is responsible for the Group's internal controls and risk management system and for reviewing its effectiveness on an annual basis. The Audit Committee supports the Board in monitoring our risk exposures, the design and operating effectiveness of the underlying risk management and internal controls systems. The Audit Committee, acting on behalf of the Board, oversees the following process:

- (i) regular reviews of the principal business risks, and control measures to mitigate, reduce or transfer such risks; the strengths and weaknesses of the overall internal controls system and action plans to address the weaknesses or to improve the assessment process;
- (ii) regular reviews of the business process and operations reported by the Internal Audit Report, including action plans to address the identified control weaknesses and status update and monitor in implementing its recommendations; and
- (iii) regular reports by the external auditors of any monitoring issues identified in the course of their work and the discussion with the external auditors about their respective review scope and findings.

The Audit Committee will then report to the Board after due review of the effectiveness of the Group's system of internal controls. The Board considers the works and findings of the Audit Committee in forming its own view on the effectiveness of the system. For the Year, the Board through the Audit Committee has conducted a review of the effectiveness of the risk management system of the Company by conducting a formal risk assessment process to identify and priorities the key risks (classified by strategic risks/operational risks/financial reporting risks and compliance risks). Action plan for each key risk has also been confirmed. No significant areas of concern that may affect the risk management functions of the Company have been identified. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. (suggest to add according to Listing Rules A14-15 C.2.4). The Board considers that such system is effective and sufficient.

OUR INTERNAL CONTROL MODEL

Our internal controls model made reference to the Committee of Sponsoring Organizations of the U.S. Treadway Commission (“**COSO**”) for internal controls and it has five key components, namely Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. The key elements of our internal controls model are as follows:

- **Control Environment** – The control environment is the set of standards, processes, and structures that provides the basis for carrying our internal control across the Company. The Board and senior management establish the tone at the top regarding the importance of internal control including expected standards of conduct. The management reinforces expectations at the various levels of the Company.
- **Risk Assessment** – Risk assessment involves a dynamic and iterative process for identifying and assessing risks to the achievement of objectives. Risks to the achievement of these objectives from across the Company are considered relative to established risk tolerances. Thus, risk assessment forms the basis for determining how risks will be managed.
- **Control Activities** – Control activities are the actions established through policies and procedures that help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the Company, at various stages within business processes, and over the technology environment. The control activities may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews. Segregation of duties is typically built into the selection and development of control activities. Where segregation of duties is not practical, management selects and develops alternative control activities.

Investment monitoring is also significant given the capital-intensive nature of our business. Depending on strategic importance, cost/benefit and the size of the projects, detailed analysis of expected risks and returns is submitted to management for consideration and approval. The criteria for assessment of financial feasibility are generally based on net present value, payback period and internal rate of return from projected cash flow.

- **Information and Communication** – Information is necessary for the entity to carry out internal control responsibilities to support the achievement of its objectives. The management obtains or generates and uses relevant and quality information from both internal and external sources to support the functioning of other components of internal control. Communication is the continual, iterative process of providing, sharing, and obtaining necessary information. Internal communication is the means by which information is disseminated throughout the Company, flowing up, down and across the entity. It enables personnel to receive a clear message from senior management that control responsibilities must be taken seriously. External communication is twofold: it enables inbound communication of relevant external information, and it provides information to external parties in response to requirements and expectations.
- **Monitoring** – the Board and Audit Committee oversee the process, assisted by our Internal Audit Department. The management has enhanced its update reports to Audit Committee on movements on major risks and appropriate mitigating measures. There are three Audit Committee meetings annually, with one meeting mainly about internal controls and risk management systems.

Risk Management and Internal Controls

For the Year, the management of the Group has engaged an external internal control consultant to conduct an internal audit review over the Company's key business process. The internal audit report, with no material weakness found, was submitted to the Audit Committee for review. No significant areas of concern that may affect the internal control system of the Company have been identified. During the review, the Board also considered the resources, qualification/experience of staff of the Group's accounting and financial reporting function, and their training and budget were adequate.

INTERNAL AUDIT FUNCTION

Under the Code Provision C2.6 of the CG Code with effect from 1 January 2016, the Company should have an internal audit function. The Audit Committee is aware that the Company should have an internal audit function to process the effectiveness of the risk management and internal control system. During the Year, the Audit Committee had reviewed annually the need to establish internal audit function to improve the effectiveness of risk management, control and governance process. The Company will consider sharing the CDB groups resources to carry out the internal audit function of the Company.

INSIDE INFORMATION

The Board ensures the inside information is kept strictly confidential until the relevant announcement is made. The Directors are not aware of any significant areas which need to be brought to the attention of the Shareholders.

COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

As part of the process of reviewing the financial statements, the Committee reviews the Group's compliance with applicable legal and regulatory requirements including the Listing Rules, the Companies Ordinance and the Securities and Futures Ordinance; the only notable exception is that the Group does not publish quarterly financial results.

COMPLIANCE MANUAL

The compliance manual of the Company applicable to the employees and the Directors was adopted in 2012. The Compliance Manual stated the policy of the Company in relation to the compliance responsibility, ethical conduct, confidentiality, insider dealing, Chinese Walls, conflicts of interest, inducements, personal investment policy, anti-money laundering policy, complaints, criticisms and legal actions policy, whistleblowing policy and corporate governance policy. The Board determinates and reviews the policy for the corporate governance of the Company and is responsible for the compliance for such policy.

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

This report presents the environmental, social and governance aspects of China Development Bank International Investment Limited's (hereinafter referred to as "CDB INT'L INV", the "Company" or "us") sustainability performance during the year 2018. Its aim is to endow stakeholders with a comprehensive understanding of the Company's sustainability philosophy, policies and performance. In addition to maintaining high ethical standards in strict compliance with corporate governance practices outlined in the Listing Rules, the Company is committed to operating as a responsible enterprise through its emphasis on environmental protection, people orientation and care for community. We believe these sustainable development targets will support our business strategies and create the best return for our stakeholders. To gain a comprehensive understanding of the Company's environmental, social and governance performance, this report should be considered together with the "Corporate Governance Report" section of the Annual Report.

1.1 Reporting scope

Unless otherwise stated, the report's timeframe comprises the period from 1 January 2018 to 31 December 2018. The report's scope is the commercial activities of the Company office located in the Hong Kong Special Administrative Region of China ("Hong Kong").

1.2 Reporting basis

This report was prepared by the Company in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Main Board Listing Rules") issued by the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The report adheres to the principles of importance, quantification, balance and consistency. It strictly complies with all "comply or explain" provisions in the "Environmental, Social and Governance Reporting Guide" and strives to fully reflect the Company's environmental and social management policies, strategies and objectives, and their relevance.

1.3 Stakeholder engagement

CDB INT'L INV has established a variety of communication channels in order to respond more effectively to the opinions and suggestions of major stakeholders. Our website's Media Centre informs investors, shareholders and the public of the Company's latest activities, asset positions and investor documents in real time. We also hold annual general meetings in which Company representatives attend and meet in person with shareholders, investors and media to understand their concerns and issues. Additionally, the Company frequently communicates with stakeholders via the network or by way of email, telephone and questionnaire to actively gain their feedback and opinions. This enhances our corporate governance and internal culture, helps to fulfil social responsibilities and promotes sustainable corporate development. After collecting, collating, measuring and analysing the recommendations and concerns raised by various stakeholders during the reporting period, the Board of Directors of CDB INT'L INV selected the important issues to be disclosed in this report.

1.4 Responding to this report

We value the opinions of stakeholders and report readers as important drivers for our continuous improvement. If you would like to share your opinions of this environmental, social and governance report or of matters in connection with it, please contact us at:

Address: Suites 4506-4509, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

Tel: (852) 3979 1500

Fax: (852) 3979 1599

Website: www.cdb-intl.com

Email: info@cdb-intl.com

2. MANAGEMENT EXCELLENCE

The Company operates as an investment platform designated by the China Development Bank to identify and implement overseas investment opportunities and integrate and manage the China Development Bank's existing overseas asset investments. It serves the global strategies of China and the China Development Bank by supporting the international development of Chinese enterprises and promoting overseas investment businesses such as the "Belt and Road" Initiative. CDB INT'L INV uses the client resources of the China Development Bank – its trillions of RMB assets and its status as China's largest foreign exchange lending bank – to explore high-quality investment opportunities and work closely with world-class investment institutions to provide equity capital support for related enterprises and facilitate them in obtaining loan support from the China Development Bank.

2.1 Responsible investment

Combining social and environmental responsibility with investment strategies to fulfil corporate social responsibilities is at the core of CDB INT'L INV's future approach to sustainable development. To support this, the Company has established a reliable and efficient flow of investment. Investment projects are scrutinised and rated for their opportunities by an investment committee of experienced professionals using established procedures. This ensures that investment decisions are made with caution, consistency, fairness, and accountability to society and investors. The investment committee also performs multi-dimensional assessments and monitoring of all investments to identify, assess and reduce relevant investment risks and achieve the target return. The Company plans to make sustainable development investment principles and social and environmental responsibility central to its future investment strategies. It will thus strive to achieve investment return while acting responsibly toward society and the environment and promoting their sustainable development.

Investment Strategies

CDBC focuses on investment opportunities involving Chinese elements, supplemented by pure overseas projects: mainly invests in overseas projects with Chinese elements, including refinancing, Pre-IPO, and privatization of overseas-listed Chinese-funded companies, Chinese-funded enterprises' overseas M&A and construction projects, and foreign investment in China's local project, while selectively participating in individual investment opportunities of pure overseas projects.

Proactive efforts are made to locate high-quality projects in the overseas capital market: With the help of CDB's overseas branches, international cooperation network, and brand credibility, CDBC proactively explores high-quality and influential overseas investment opportunities, and seeks joint investment opportunities with leading investors in the market.

Providing long-term value-added services to portfolio companies: Devoted to building a strong image in the international market by taking advantage of CDB's comprehensive financial services, capital operation experience, and extensive client network, CDBC strives to improve the value of portfolio companies and achieve outstanding and sustained investment performance.

In order to achieve its responsible investment aims while minimising investment risk, the Company has developed appropriate risk response strategies including:

- establishing and regularly reviewing the entire Company's risk management policies and frameworks to consistently guide its risk management practices;
- establishing a formal risk appetite statement, which the Board of Directors and senior management are responsible for, enabling employees to understand the level of risk acceptable to the Company, avoid unnecessary risks and reduce unnecessary losses;
- ensuring that the Company's strategic decisions are consistent with its risk appetite;
- embedding risk management into the Company's core operations and decision-making;
- regularly evaluating whether the risks of current and emerging portfolios would jeopardise Company strategy and realisation of annual plans and budgets, and establishing appropriate responses to the risks the Company may face;
- allocating appropriate resources to establish, maintain and continually improve risk management strategies and policies.

Environmental, Social and Governance Report

In accordance with our investment and risk management strategies, during the reporting period we conducted key research, seized investment opportunities and promoted sustainable development and socially responsible investment in the following industries:



2.2 Compliance operation

A good reputation is the most important asset and foundation of a financial institution. Accordingly, we uphold the principle of legal and compliant operation. In all its routine operations, the Company strongly emphasises integrity and thorough compliance with the “Criminal Law of the People’s Republic of China”, “Anti-corruption and Bribery Law of the People’s Republic of China”, “Anti-Unfair Competition Law of the People’s Republic of China”, the “Prevention of Bribery Ordinance of Hong Kong”, and all other relevant laws and regulations. For business operations and the protection of our partners’ privacy and intellectual property rights, we maintain compliance with the “Advertisement Law of the People’s Republic of China”, the “Trademark Law of the People’s Republic of China”, the “Personal Data (Privacy) Ordinance” of Hong Kong and other relevant laws and regulations. We actively fulfil product and service responsibilities and endeavour to safeguard the legitimate rights and interests of stakeholders. Material non-public information are kept strictly confidential throughout our operations and activities. All employees and cooperating suppliers are required to sign confidentiality agreements with the Company. These entail their full compliance with confidentiality provisions to prevent disclosure and loss of sensitive information.

2.3 Win-win cooperation

The operation of CDB INT'L INV relies on the cooperation of a wide range of suppliers and service providers. Major suppliers of the Company include law firms, accounting firms, investment banks, tax advisers and different types of professional consulting companies. To protect the Company's vital interests, strictly select excellent suppliers who are in the interest of the Company and in the interest of transparency and fairness, we formulated and strictly implement "Measures for Procurement Management" and "Measures for Procurement Management of Low-value Items" to aid in selecting legitimate suppliers with relevant qualifications and excellent service capabilities. The extent to which suppliers fulfil their environmental and social responsibilities is another important evaluation criterion. Our supplier selection process and scoring system now includes a close examination of candidates' sustainable development management strategy, labour standards and environmental management systems. We also regularly evaluate existing suppliers and remove those found to be in serious violation of relevant regulations or contract terms, or whose quality is not in compliance. By these measures, risk associated with the supply chain is reduced. New suppliers will be introduced to maintain CDB INT'L INV's sustainable growth and achieve the ultimate goal of win-win cooperation.

2.4 Professional ethics

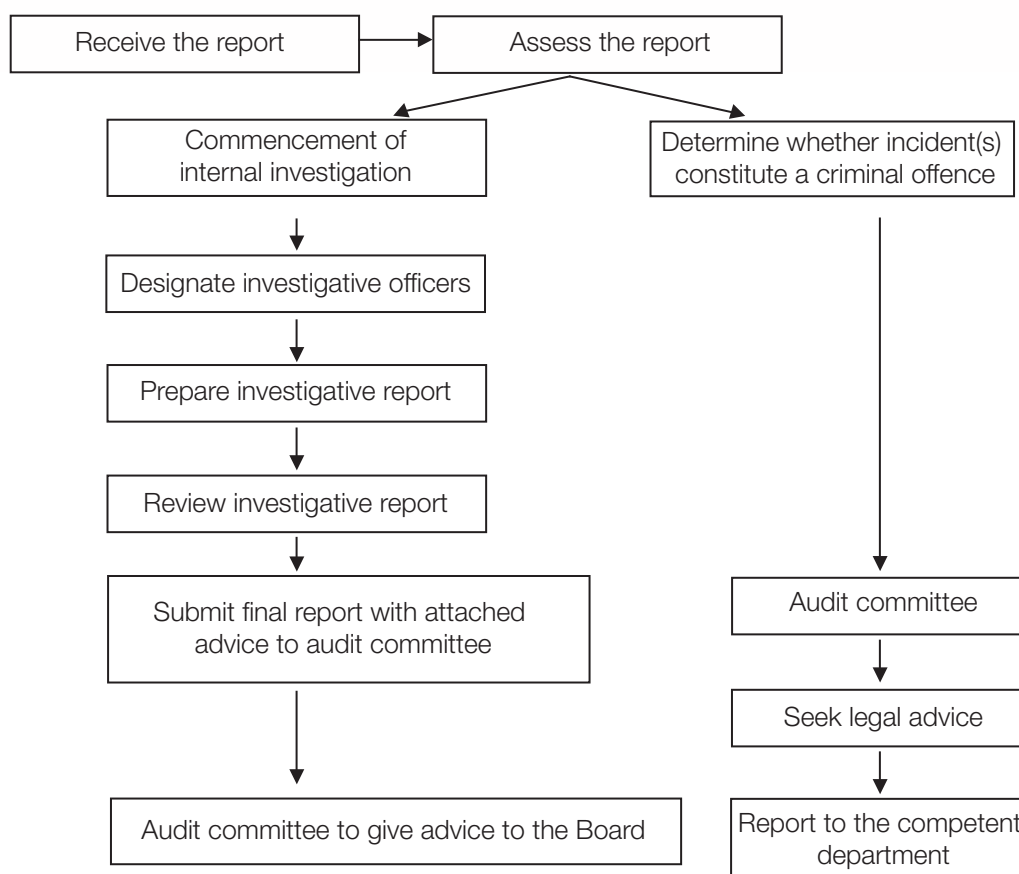
The Company believes that cultivating and ensuring employees' professional ethics are the cornerstone of a financial enterprise's long-term development. Therefore, we have established management systems such as the "Compliance Manual" to provide a clearly defined code of conduct and ethical standards. The Company acts in conformance with the "Anti-corruption and Bribery Law of the People's Republic of China" and the "Anti-Unfair Competition Law of the People's Republic of China", and based the "Compliance Manual" on them. It outlines the Company's professional ethical norms on confidentiality, insider trading, conflict of interest, personal investment, bribery, extortion, money laundering and fraud, and specifies that any employee found to be in serious non-compliance will be subject to disciplinary punishment including immediate dismissal and suspension. The Company maintains an attitude of zero tolerance to any non-compliance in these matters. As a company, we are committed to maintaining the highest possible standard of openness, probity and accountability. CDB INT'L INV has established a systematic review and reporting system to execute this commitment and further develop employees' professional ethics. For example, as an anti-corruption measure, the Company regularly reviews the reimbursement receipts from various departments and has standardised its reimbursement procedures.

Environmental, Social and Governance Report

The “Compliance Manual” and the “Code of Professional Ethics” also outline whistleblowing procedures, their implementation, and methods of monitoring for non-compliance. We encourage employees to report all suspected incidents of non-compliance, either under their real names or anonymously, verbally or in writing. Their reports will commence an assessment of the incident within five working days of receipt. The company ensures that the privacy and interests of whistleblowers will be protected. Specific investigative procedures are shown in the table below. The Company also regularly reviews and analyses the implementation of the reporting process. Based on the results of review, specific regulations in the “Compliance Manual” and the “Code of Professional Ethics” may be amended to ensure continued effective operation of the professional ethics management system.

Investigative procedures

For ease of reference, please refer to the following flowchart.



All new employees must sign a declaration that they understand and agree to the “Compliance Manual” and the “Code of Professional Ethics”. Employees annually renew their declaration as a deterrent to misconduct, corruption or conflict of interest as well as a reminder of their code of conduct. No lapses of professional ethics by employees or related judicial proceedings were reported to the Company during the reporting period.

3. TALENT SOLIDARITY

3.1 Talent recruitment and management

Excellent talent is crucial to achieving CDB INT'L INV's sustainable development aims and our valuable asset. Accordingly, we manage our talent in compliance with Hong Kong's "Employment Ordinance", "Employees' Compensation Ordinance", "Mandatory Provident Fund Schemes Ordinance", "Sex Discrimination Ordinance" and "Race Discrimination Ordinance". The Company's sound human resources management enables it to support a consistent and standardised system for remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and effective protection of employee rights and interests. The Company complies with sections of the "Employment Ordinance" prohibiting child and forced labour. With zero tolerance attitude towards illegal workers, candidate employees' ages are checked and verified to ensure that no child or forced labour is recruited.

The Company has formulated an "Employee Manual" on the basis of its full compliance with relevant employment laws as well as the characteristics of its own situation. It also complies with China Development Bank International Investment Limited's ("CDBIH") "Measures for Promotion", "Holiday Management System" and "Provisional Measures for Remuneration". In accordance with the provisions outlined in "Measures for Promotion" and "Provisional Measures for Remuneration", the Company has mechanisms in place to assure fair and equitable employee recruitment, remuneration and promotion. Employees' specific position levels and remuneration packages are determined by appraisals of individual performance, work experience, personal abilities and the remuneration level for their current position. In the interest of equal and fair employment, the Company focuses on employees' ability, ensuring that factors such as gender, age, nationality, race, religion, family and health have no impact on their treatment. In line with the Company's commitment to a comfortable, fair, diverse and non-discriminatory work environment, the "Employee Manual" urges respect, coordination and mutual support among all employees. By the same token, the Company attaches great importance to listening to employees. It has established a variety of channels including suggestion boxes and employees' activities to collect employees' opinions and ideas, understand their views and suggestions, and use their input to improve the employee management system to provide a comfortable, fair and promising work environment for employees. During the reporting period, the Company had seven employees (two male, five female employees) in total, and there was no employee turnover in last year. The Company's relevant employment systems operated well, and the Company was not subject to any cases of breaching the "Employment Ordinance" or other applicable laws and regulations.

3.2 Vocational training and development

Providing a superior vocational training and development platform for employees to improve their personal and professional capabilities is an important way that CDB INT’L INV attracts the outstanding talent that is key to its sustainable development. Therefore, the Company is committed to establish a sound training system and integrate internal and external resources to providing training opportunities such as seminars and workshops in order to create a well learning exchange platform. The Company also encourages employees to continue their education while working to improve their capabilities and add value to their efforts. During the reporting period, the Company organised a series of internal and external training courses appropriate to employee needs and the Company’s own development strategy. Topics included financial market situation analysis, consumer behaviour analysis, global economic market investment and Chinese taxation, all of which are relevant to CDB INT’L INV’s investment projects in China and elsewhere. In 2018, to enrich the training course, the Company also introduced a “TED Vocational Training Course” to provide employees with even more career development options. In response to the consumer consumption behaviour in China, consumption downgrade, in the same year, CDB INT’L INV launched an internal training series using “Pinduoduo”, “Fuling Zhacai”, “sharing economy” and “second-hand consumption” as case studies. The training included in-depth research and discussion and aimed to help employees to more effectively analyse and seize market trends, better understand changes in consumer attitudes and consumption patterns, and recognise investment opportunities.

During the reporting period, all seven Company employees participated in the training, representing 100% of trained employees.

Gender	2017		2018	
	Male	Female	Male	Female
Number of trained employees (persons)	3	3	2	5
Average training hours per employee	10	5	10	5

CDB INT’L INV is committed to providing a sustainable career development platform to its employees. Through implementation of the “China Development Bank International Investment Limited Promotion System”, we systematically evaluate each employee’s performance and encourage them to achieve standards for advance. The ultimate aim is to enhance employees’ ability and enthusiasm, and therefore enhance the Company’s vitality and competitiveness.

3.3 Employee health and safety

Employee health and safety is a vital factor in the Company's stable operation. The Company therefore works continuously to improve its health and safety related systems and management, including organising safety promotions and training to create a safe, healthy and comfortable working environment for employees and protect their physical and mental health. The Company is in full compliance with the "Occupational Safety and Health Ordinance" and "Fire Safety (Commercial Premises) Ordinance" and other laws and regulations relevant to minimising occupational diseases and creating a clean, safe and comfortable work environment. In order to maintain the hygiene of working environment and protect the health of employees, every month, the Company employs a professional contractor at its office to disinfect phones, keyboards, computers and other equipment. Cleaning windows, walls and carpets and pest control are carried out every two months. Inspections of hygienic conditions in the office are regularly carried out, and any items that do not meet standards are promptly cleaned or replaced. The Company also encourages employees to participate in fire drills organised by property management companies at its rented offices in the Hong Kong International Finance Centre (hereinafter referred to as "IFC") to raise employees' safety awareness and emergency treatments. During the reporting period, all employees participated in fire drills. To strength the health of employees, the Company organised employee to participate in sporting activities such as badminton competitions in order to achieve the aim of keep fit and relaxation. During the reporting period, the Company has not disclosed any work-related deaths or injuries, and was not aware of any complaints or violations connected to occupational health and safety.

3.4 Employee welfare and security

The company is committed to providing competitive welfare and benefits, and to maintaining a comprehensive salary and benefits protection system in accordance with the law. In addition to basic welfare, such as basic salary, post salary and comprehensive subsidies, the Company provides employees with bonuses determined by a combination of organisational and individual performance criteria to achieve effective employee motivation. We regularly adjust salaries with reference to industry salary levels and price changes to ensure that employees are provided with competitive remuneration. This is also an important factor in attracting and recruiting new talent. The range of benefits offered by the Company are in compliance with the "Employment Ordinance". They include labour insurance, Mandatory Provident Fund, medical and life insurance, a communication subsidy, lunch allowance, an overtime subsidy, travel allowance, heatstroke prevention subsidy, and labour protection. To help employees maintain a healthy work-life balance and to improve work efficiency, the Company implements a "Holiday Management System" which ensures adequate holiday benefits – including paid annual, sick, maternity, wedding, funeral and exam leave – and protection of employees' legitimate rights and interests.

Seventh anniversary

Employees of the Company and CDBIH celebrated the seventh anniversary of CDBIH in 2018 with a dinner party.

Birthday parties

The Company organises birthday parties for each employee in the corresponding month.

Movie appreciation

Team morale is enhanced by the Company monthly movie showings.

Festival activities

The Company organises a variety of themed activities and offers employees small gifts to commemorate traditional occasions such as Dragon Boat Festival and Mid-Autumn Festival and Chinese Lunar New Year.

4. ENVIRONMENTAL PROTECTION

CDB INT'L INV complies in full with the "Air Pollution Control Ordinance", the "Waste Disposal Ordinance" and other laws and regulations applicable to environmental protection. Environmental protection concepts are integrated directly into the Company's business development and routine operational management to improve its energy and resource utilisation efficiency. The Company actively promotes the paperless office and strives to reduce the negative environmental impact of its operations.

4.1 Energy saving and emission reduction

The Company's resource consumption and environmental impact mainly derive from use of electricity, water and paper, and the use of fuel in connection with business travel. To minimise the above consumptions of resources, reduce emissions and lower environmental impacts, we require employees to switch off devices when they are not in use. Although the water supply of the Company is stable, we post "Save Water" signage to remind employees to save water. We also encourage employees to print on both sides of paper, reuse and recycle paper and other measures to achieve paper saving and reducing office waste. When road vehicles are being used for business travel, the Company stipulates that driver should turn off car engine while they are waiting to reduce unnecessary fuel consumption and emissions and thoroughly implement our boosting energy efficiency and reducing emissions measures. As the Company's business does not involve any production activities, it creates no pollution, hazardous waste or packaging materials. To further boost energy efficiency and reduce emissions, the Company has begun formulating a green office policy. This will be completed as the Company's environmental data collection system matures, and details will accordingly be disclosed in the future.

4.2 Environmental performance

During the reporting period, our production and operation activities were in compliance with relevant laws and regulations on environmental protection. The Company was not aware of any violations of environmental protection laws and regulations.

Resource Usage in 2018¹

Resource type	2018 Total consumption	2018 Consumption per person
Water ²	1, 482L	247L
Electricity ³	45, 448kWh	7, 575kWh
Gas	420L	70L
Paper	39kg	6.5kg

Waste Generation in 2018⁴

Non-hazardous waste	2018 Total generated	2018 Generated per person
Paper	39kg	6.5kg

Pollution Emissions in 2018⁵

Air pollution and waste water	2018 Total emitted	2018 Emitted per person
NO _x	266.8g	44.5g
SO ₂	6.2g	1g
CO	2,396.7g	399.4g
Particles (PM2.5)	6.6g	1.1g
Domestic sewage ⁶	1,482L	247L

¹ The resources used by the Company are mainly attributed to electricity, water and paper consumed at the office and fuel consumed by vehicles for business.

² The Company's sole place of business is located in Hong Kong, and in the office area rented by CDBIH in the Hong Kong International Finance Centre (IFC). Given that no individual water and electricity meters are set up in the office area, the total water and electricity consumption are estimated. The Company's water consumption is approximately one litre per person per day.

³ With reference to Note 2, the Company's electricity consumption is specifically estimated as follows.

$$\text{The Company's Electricity Consumption} = \frac{\text{CDBIH's Electricity Consumption Calculated by IFC Property}}{\text{Total Numbers of Employees for the Company and CDBIH}} \times \text{Numbers of Employees}$$

⁴ During the reporting period, the Company did not produce any hazardous waste or packing materials.

⁵ Air pollution of the Company is mainly generated from exhaust emissions of its three business vehicles.

⁶ Domestic sewage generated by the Company office is piped from the IFC building sewage system to treatment plants for centralised disposal.

Greenhouse Gas Emissions in 2018

Greenhouse gas indicators	2018 Total emitted	2018 Emitted per person
CO ₂ emission equivalents (Scope 1) ⁷	1,116kg	186kg
CO ₂ emission equivalents (Scope 2) ⁸	35,904kg	5,984kg
CO ₂ emission equivalents (Scope 3) ⁹	187kg	31kg
Total CO ₂ emission equivalents	37,207kg	6,201kg

5. GIVING BACK TO SOCIETY

Other than pursuing the Company and its employees to achieve sustainable development together, CDB INT’L INV participated in a number of public welfare activities that benefited the community and encouraged its employees to actively participate in activities that make a positive impacts on society during their daily operation in order to activity contribute to the society and fulfilled social responsibilities.

The Hong Kong Chinese Enterprises Association – 8th Athletic Meet

The 8th Athletic Meet of the Hong Kong Chinese Enterprises Association was held at the Wan Chai Sports Ground in Hong Kong on 27-28 October 2018. Held every two years since 2004, the event is a platform for Chinese-funded enterprises to participate in sporting culture. CDB INT’L INV sent five staff athletes to the latest event, providing a showcase opportunity for Chinese-funded enterprises’ employees in Hong Kong, building team spirit as well as setting an example of healthy living for all employees.

⁷ Greenhouse gases (Scope 1) are generated from the exhaust emissions of the Company’s three business vehicles. Greenhouse gases included in the calculation were CO₂, CH₄ and N₂O. Please refer to “Appendix II: Reporting Guidance on Environmental KPIs” of the SEHK for the specific calculation.

⁸ Greenhouse gases (Scope 2) are generated from the electricity consumed by the Company through the production processes of suppliers.

⁹ Greenhouse gases (Scope 3) mainly include CO₂ and CH₄ generated from the disposal of Company office waste paper in landfill sites of Hong Kong. Other gas emissions included in Scope 3 are not included in the calculation. Please refer to “Appendix II: Reporting Guidance on Environmental KPIs” of the SEHK for the specific calculation.

6. INDEX OF CONTENTS OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

General Disclosures and KPIs	Descriptions	Relevant section or other explanation of this report
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Environmental area

Aspect A1: Emissions

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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4 Environmental protection 4.1 Energy saving and emission reduction
KPI A1.1	The types of emissions and respective emissions data	4.2 Environmental performance
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	4.2 Environmental performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Not Applicable. The Company did not produce any hazardous waste
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	4.2 Environmental performance
KPI A1.5	Description of measures to mitigate emissions and results achieved	4.1 Energy saving and emission reduction
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	4.2 Environmental performance

Environmental, Social and Governance Report

General Disclosures and KPIs	Descriptions	Relevant section or other explanation of this report
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	4.2 Environmental performance
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)	4.2 Environmental performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.2 Environmental performance
KPI A2.3	Description of energy use efficiency initiatives and results achieved	4.1 Energy saving and emission reduction
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	4.1 Energy saving and emission reduction
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Not Applicable. The Company did not produce any packing materials
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	4.1 Energy saving and emission reduction
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	4.1 Energy saving and emission reduction

General Disclosures and KPIs

Descriptions

Relevant section or other explanation of this report

Social area

Employment and Labour Practices

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	3 Talent solidarity
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	3 Talent solidarity
KPI B1.2	Employee turnover rate by gender, age group and geographical region	3 Talent solidarity

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	3.2 Employee health and safety
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Environmental, Social and Governance Report

General Disclosures and KPIs	Descriptions	Relevant section or other explanation of this report
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	3.1 Vocational training and development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	3.1 Vocational training and development
KPI B3.2	The average training hours completed per employee by gender and employee category	3.1 Vocational training and development
Aspect B4: Labour Standards		
General Disclosure	Information on: <ul style="list-style-type: none"> (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 	3 Talent solidarity
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	2.3 Win-win cooperation
Aspect B6: Product Responsibility		
General Disclosure	Information on: <ul style="list-style-type: none"> (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 	2 Management excellence
		2.2 Compliance operation

General Disclosures and KPIs

Descriptions

Relevant section or other explanation of this report

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	2.4 Professional ethics
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	2.4 Professional ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	2.4 Professional ethics

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	5 Giving back to society
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Independent Auditor's Report



羅兵咸永道

Independent Auditor's Report
To the Shareholders of China Development Bank International Investment Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Development Bank International Investment Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 65 to 113, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

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Independence

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.

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.

Key audit matter identified in our audit is related to the valuation of the Group's financial assets measured at fair value.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of the Group's financial assets at fair value through profit or loss classified as level 3.</p> <p>Refer to note 2.2, 3.4 and 15 of the consolidated financial statements.</p> <p>The balance of the Group's financial assets at fair value through profit or loss ("FVTPL") as at 31 December 2018 amounted to approximately HK\$1,710 million which were categorised as level 3 in the fair value hierarchy.</p> <p>The audit focused on the valuation of the financial assets at FVTPL classified as level 3 in the fair value hierarchy due to the significance of the balance and the high degree of subjectivity and management judgement. Due to the fact that availability of information is limited for these financial assets at FVTPL, management judgement is involved in determining the assumptions to the unobservable inputs, including credit spread rate and volatility, and application of the valuation technique (i.e. option pricing model).</p>	<p>With the involvement of our internal valuation team, we had performed the following procedures:</p> <ul style="list-style-type: none"> • We evaluated the competence, independence, capabilities and objectivity of the Group's external valuer; • We assessed the appropriateness for the selection of option pricing model as the valuation technique used by management based on the market practice and our knowledge on the nature of the financial assets; • We evaluated the judgement made by management in determining the key assumptions, including credit spread rate and volatility, by comparing the supporting documentation to external market analysis, the market practice and our industry knowledge. We also performed an independent sensitivity analysis to evaluate those assumptions applied to the option pricing model for calculating the fair value of the financial assets; and • We checked the mathematical accuracy of the option pricing model prepared by management via re-performance. <p>Based on the procedures we performed, we found the key assumptions used by management in the valuation of the financial assets are supported by the evidence that we gathered.</p>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 disclosure requirements of 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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. We report our opinion solely to you, as a body, 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 HKSAAs 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.
- 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 those charged with governance 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 those charged with governance 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.

Independent Auditor's Report

From the matters communicated with those charged with governance, 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 Cecilia, Lai Ting Yau.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK\$	2017 HK\$
Net valuation gains in fair value of financial assets at fair value through profit or loss		174,308,876	191,728,343
General and administrative expenses	7	(15,161,023)	(13,990,708)
Operating profit		159,147,853	177,737,635
Finance income	8	52,445	36,807
Finance costs	8	(20,231,731)	(4,361,727)
Share of profit in associates	14	769,749	3,134,448
Profit before income tax		139,738,316	176,547,163
Income tax (expenses)/credit	6	(158,497)	414,008
Profit for the year attributable to owners of the Company		139,579,819	176,961,171
Other comprehensive (loss)/income			
Item that may be subsequently reclassified to profit or loss:			
Currency translation differences		(3,309,486)	3,846,928
Other comprehensive (loss)/income for the year		(3,309,486)	3,846,928
Total comprehensive income for the year attributable to owners of the Company		136,270,333	180,808,099
Earnings per share			
– Basic (HK cents)	12	4.81	6.10
– Diluted (HK cents)	12	4.81	6.10

The notes on page 69 to 113 are an integral part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 HK\$	2017 HK\$
Assets			
Non-current assets			
Property, plant and equipment	13	–	–
Interests in associates	14	70,484,937	73,892,455
Financial assets at fair value through profit or loss	15	1,816,488,607	1,874,231,337
		1,886,973,544	1,948,123,792
Current assets			
Other receivables, prepayments and deposits		–	49,196
Financial asset at fair value through profit or loss	15	232,051,606	–
Cash and cash equivalents	16	59,154,395	92,873,839
		291,206,001	92,923,035
Total assets		2,178,179,545	2,041,046,827
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	19	29,022,154	29,022,154
Reserves		1,594,916,727	1,458,646,394
Total equity		1,623,938,881	1,487,668,548
Liabilities			
Non-current liability			
Deferred tax liabilities	18	1,963,374	1,891,654
Current liabilities			
Other payables and accruals	17	6,277,290	5,486,625
Borrowings	20	546,000,000	546,000,000
		552,277,290	551,486,625
Total liabilities		554,240,664	553,378,279
Total equity and liabilities		2,178,179,545	2,041,046,827
Net asset value per share	26	0.56	0.51

The consolidated financial statements on pages 65 to 113 were approved and authorised for issue by the director on 29 March 2019 and are signed on its behalf by:

Bai Zhe
Director

WANG Xiangfei
Director

The notes on page 69 to 113 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company						
	Share capital	Share premium	Special reserve	Exchange reserve	Capital redemption reserve	(Accumulate losses)/ retained earnings	Total
	HK\$	HK\$	HK\$ (Note)	HK\$	HK\$	HK\$	HK\$
At 1 January 2017	29,022,154	1,043,800,995	382,880,958	6,650,351	270,200	(155,764,209)	1,306,860,449
Comprehensive income							
Profit for the year	-	-	-	-	-	176,961,171	176,961,171
Other comprehensive income							
Currency translation differences	-	-	-	3,846,928	-	-	3,846,928
Total comprehensive income for the year	-	-	-	3,846,928	-	176,961,171	180,808,099
At 31 December 2017	29,022,154	1,043,800,995	382,880,958	10,497,279	270,200	21,196,962	1,487,668,548
Comprehensive income							
Profit for the year	-	-	-	-	-	139,579,819	139,579,819
Other comprehensive income							
Currency translation differences	-	-	-	(3,309,486)	-	-	(3,309,486)
Total comprehensive (loss)/income for the year	-	-	-	(3,309,486)	-	139,579,819	136,270,333
At 31 December 2018	29,022,154	1,043,800,995	382,880,958	7,187,793	270,200	160,776,781	1,623,938,881

Note: Special reserve represents the difference between the amount recorded as share capital issued by the Company pursuant to a scheme of arrangement which became effective in April 2005 under section 166 of the Hong Kong Companies Ordinance in respect of ING Beijing Investment Company Limited ("ING Beijing") and the amount recorded for the share capital of ING Beijing acquired. ING Beijing was liquidated in November 2005.

The notes on page 69 to 113 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK\$	2017 HK\$
Cash flows from operating activities			
Profit before income tax		139,738,316	176,547,163
Adjustments for:			
Finance income		(52,445)	(36,807)
Finance expenses		20,231,731	4,361,727
Share of profit in associates	14	(769,749)	(3,134,448)
Net valuation gains in fair value of financial assets at fair value through profit or loss		(174,308,876)	(191,728,343)
Changes in working capital			
Changes in other receivables, prepayments and deposits		49,196	294,613
Changes in other payables and accruals		514,252	(777,649)
Cash used in operations		(14,597,575)	(14,473,744)
Income taxes paid		(86,777)	(20,172)
Net cash used in operating activities		(14,684,352)	(14,493,916)
Cash flows from investing activities			
Interest received		52,445	36,807
Dividend received from an associate	14	867,781	201,716
Purchase of financial assets at fair value through profit or loss		-	(543,260,180)
Net cash generated from/(used in) investing activities		920,226	(543,021,657)
Cash flow from financing activities			
Proceeds from bank borrowings		-	546,000,000
Interest paid		(19,955,318)	(4,361,727)
Net cash (used in)/generated from financing activities		(19,955,318)	541,638,273
Net decrease in cash and cash equivalents		(33,719,444)	(15,877,300)
Cash and cash equivalents at the beginning of the year	16	92,873,839	108,751,139
Cash and cash equivalents at the end of the year	16	59,154,395	92,873,839

The notes on page 69 to 113 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its immediate parent company is China Development Bank International Holdings Limited (“**CDBIH**”), a private limited company established in Hong Kong and its ultimate parent company is China Development Bank Corporation (“**CDB**”), a wholly state-owned policy bank established on 17 March 1994 in the People’s Republic of China (“**PRC**”). CDB is a joint stock commercial bank established jointly by the Ministry of Finance (“**MOF**”) and Central Huijin Investment Ltd (“**Huijin**”). The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. Huijin was established to hold certain equity investments as authorised by the State Council and does not engage in other commercial activities. Huijin exercises legal rights and obligations on behalf of the PRC government. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report. The principal activities of the Company and its subsidiaries (the “**Group**”) are to achieve medium term to long-term capital appreciation of its assets primarily through its investments in money market securities, equity and debt related securities in listed and unlisted entities on a global basis. Details of the principal activities of the Company’s subsidiaries are set out in Note 25. The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”) and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. While the Group had net current liabilities of approximately HK\$261,071,000 as at 31 December 2018 (which included short-term bank borrowings of HK\$546,000,000), the Directors consider the Group will be able to meet its financial obligations as they fall due for the foreseeable future after taking into account the availability of the unutilised revolving credit facilities of US\$100,000,000 from CDBIH, the controlling shareholder of the Company (Note 21(a)), together with the expectation that the existing unutilised uncommitted banking facilities and the short-term bank borrowings will be successfully renewed upon their expiry. Moreover, CDBIH has confirmed its intention to provide financial support for the continuing operations of the Group and the Company so as to enable it to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the twelve months from 31 December 2018. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policy and disclosures

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

(a) New standards, amended standards and interpretations adopted by the Group

The following new standards, amendments to standards and interpretation have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2018:

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration
HKAS 28 (Amendments)	Investment in Associate and Joint Ventures
HKAS 40 (Amendments)	Transfer of Investment Property
HKFRS 1 (Amendments)	First Time Adoption of HKFRS

The impact of the adoption of these standards are disclosed in Note 2.2(c) below. The other standards did not have any material impact on the Group's accounting policies and did not require any retrospective adjustment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policy and disclosures (continued)

(b) New standards, amendments to standards, interpretation and conceptual framework that have been issued but are not yet effective

The following new standards, amendments to standards, interpretation and conceptual framework have been issued but are not effective for the period and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS	Annual Improvements to HKFRS 2015-2017 Cycle	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Ventures	1 January 2019
Annual Improvements Project (Amendments)	Annual Improvements 2015-2017 Cycle	1 January 2019

None of these new standards, amendments to standards, interpretation and conceptual framework is expected to have a significant effect on the consolidated financial statements of the Group, except for those set out below:

HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policy and disclosures (continued)

(b) New standards, amendments to standards, interpretation and conceptual framework that have been issued but are not yet effective (continued)

HKFRS 16 “Leases” (continued)

The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group’s operating leases. As at the reporting date, the Group does not have any non-cancellable operating lease commitments as the operating lease is borne by its immediate holding company. The standard is mandatory for first interim period within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

(c) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 “Financial Instruments” on the Group’s financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

HKFRS 9 “Financial Instruments”

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of HKFRS 9 “Financial Instruments” from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in note (i) and note (ii) below.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group’s management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The financial assets held by the Group include equity and debt investments measured at fair value through profit or loss which would likely continued to be measured on the same basis under HKFRS 9. There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for reclassification of financial liabilities that are designated at fair value through profit or loss and the Group does not have any such reclassification of financial liabilities. The derecognition rules have been transferred from HKAS 39 “Financial Instruments: Recognition and Measurement” and have not been changed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policy and disclosures (continued)

(c) Changes in accounting policies (continued)

HKFRS 9 “Financial Instruments” (continued)

(ii) Impairment of financial assets

The Group has two types of financial assets at amortised cost subject to HKFRS 9's new expected credit loss model, which are other receivables (excluding prepayment and deposits) and cash and cash equivalents. The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. While both financial assets are subject to the impairment requirements of HKFRS 9, the identified impairment loss was insignificant.

(iii) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policies.

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

This category has two sub-categories: financial assets held for trading; and those designated at fair value through profit or loss at inception.

(i) Financial assets held for trading

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading. The Group does not hold any derivatives as hedges in a hedging relationship.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policy and disclosures (continued)

(c) Changes in accounting policies (continued)

HKFRS 9 “Financial Instruments” (continued)

(iii) Accounting policies applied until 31 December 2017 *(continued)*

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

(ii) Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Group’s documented risk management and investment strategy. The Group’s policy requires the Board to evaluate the information about these financial assets on a fair value basis together with other related financial information. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group’s loans and receivables comprise “other receivable, prepayments and deposits” and “cash and cash equivalents” in the consolidated statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policy and disclosures (continued)

(c) Changes in accounting policies (continued)

HKFRS 9 “Financial Instruments” (continued)

(iii) Accounting policies applied until 31 December 2017 (continued)

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of profit or loss and other comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the consolidated statement of profit or loss and other comprehensive income within ‘change in fair value of financial assets at fair value through profit or loss’ in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of profit or loss and other comprehensive income as investment income when the Group’s right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policy and disclosures (continued)

(c) Changes in accounting policies (continued)

HKFRS 9 “Financial Instruments” (continued)

(iii) Accounting policies applied until 31 December 2017 (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. For loans and receivables category, the amount of the loss is measured as the difference between the assets’ carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets’ original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss and other comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(a) *Business combinations (continued)*

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss and other comprehensive income. Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions—that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable. Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets.

2.4 Associates

An associate is an entity over which the Group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights.

Investments in associates accounted for using the equity method of accounting

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill. If the ownership interest in associates is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Associates (continued)

Investments in associates accounted for using the equity method of accounting (continued)

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group determines at each reporting date whether there is any objective evidence that the interests in associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit in associates' in the consolidated statement of profit or loss and other comprehensive income. Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Gain or losses on dilution of equity interest in associates are recognised in the consolidated statement of profit or loss and other comprehensive income.

Investments in associates measured at fair value through profit or loss

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, upon initial recognition the entity may elect to measure the investment as designated at fair value through profit or loss or are classified as held for trading and accounted for in accordance with HKAS 39 Financial Instruments: Recognition and Measurement. Such investments shall be measured at fair value in accordance with HKAS 39, with changes in fair value recognised in profit or loss in the period of the change (Note 2.2).

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's executive directors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Hong Kong dollars (HK\$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of profit or loss and other comprehensive income. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of profit or loss and other comprehensive income within 'finance income or expenses'. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within 'general and administrative expense'. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation (continued)

(c) Group companies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Leasehold improvements	3 years
– Furniture and fixtures	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'general and administrative expense' in the consolidated statement of profit or loss and other comprehensive income.

2.8 Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.2(c) for a description of the Group's impairment policies. If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.9 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Share capital

Ordinary shares are classified as equity.

2.11 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.12 Borrowing costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs include interest expense arising from borrowings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Current and deferred income tax

The income tax expense or credit for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Current and deferred income tax (continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.14 Employee benefits

(a) Pension obligations

The Group operates a defined contribution plan in Hong Kong and pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plan

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholder. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.15 Provisions

Provisions for environmental restoration, restructuring costs, and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is recognised on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(b) Dividend income

Dividend income from financial assets is recognised when the Group's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

2.17 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

2.18 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities and assets are not recognised on the statement of financial position of the Group.

2.19 Finance income

Finance income from fixed deposits at banks is recognised on a time-proportion basis using the effective interest method.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial instruments by category

	2018 HK\$	2017 HK\$
Financial assets		
Financial assets at fair value through profit or loss	2,048,540,213	1,874,231,337
Cash and cash equivalents	59,154,395	92,873,839
Other receivables	–	49,196
	2,107,694,608	1,967,154,372
Financial liabilities		
Other payables and accruals	6,277,290	5,486,625
Bank borrowings	546,000,000	546,000,000
	552,277,290	551,486,625

3.2 Financial risk factors

The Group's financial instruments include financial assets at fair value through profit or loss and cash and cash equivalents. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Currency risk

Foreign currency risk refers to the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong with most of the operating costs denominated and settled in HK\$. The Group's exposure to foreign currency risk primarily arises from investments denominated in US\$ against HK\$ as functional currency. During the year, the Group did not have foreign currency hedging policy but management continuously monitors the foreign exchange exposure. As HK\$ is pegged to US\$, the Group does not expect any significant movements in the US\$/HK\$ exchange rates. No sensitivity analysis in respect of the Group's financial assets denominated in US\$ is presented as in the opinion of the directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US\$/HK\$ exchange rates at the reporting dates.

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Financial risk factors (continued)

(i) Market risk (Continued)

Other price risk

The Group is exposed to price risk through its investments in financial assets at fair value through profit or loss. In order to mitigate such risk, the Group would diversify its investment portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. At 31 December 2018, if the price of the Group's financial assets at fair value through profit or loss had been 10% higher/lower with all other variables held constant, the profit for the year would have increased/decreased by approximately HK\$204.85 million (2017: approximately HK\$187.42 million).

(ii) Credit risk

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its deposits with banks. The credit risk on deposits with banks is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Other than concentration of credit risk on deposits with banks which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

(iii) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements in the short and long term. The Group's financial liabilities are due within one year from the balance sheet date.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the owner to procure adequate financial resources from the owner. The Group's overall strategy remains unchanged from prior year. The Group will maintain or adjust the capital structure through the new share issues and share buy-backs as well as the issue of new debt. The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as "Equity" as shown in the consolidated statements of financial position plus net debt.

The gearing ratio as at 31 December 2018 and 2017 are as follows:

	2018 HK\$	2017 HK\$
Total borrowings	546,000,000	546,000,000
Less: cash and cash equivalents	(59,154,395)	(92,873,839)
Net debt	486,845,605	453,126,161
Total equity	1,623,938,881	1,487,668,548
Total capital	2,110,784,486	1,940,794,709
Net gearing ratio	23%	23%

3.4 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
	31 December 2018	31 December 2017					
i) Unlisted ordinary shares of Jade Sino Ventures Limited ("Jade Sino")	HK\$444,600,000	HK\$374,400,000	Level 3	Option Pricing model	Credit spread rate, determined by reference with credit analysis of the issuer and the market rate with similar credit ratio, of 9.04%. (2017: 6.49%).	The higher the credit spread rate, the lower the fair value. (2017: The higher the credit spread rate, the lower the fair value)	If the credit spread rate is 2.5% higher/lower, while all other variables were held constant, the fair value would decrease by HK\$135,968 (2017: HK\$135,968) and increase by HK\$141,406 (2017: HK\$642,002), respectively.
				The key inputs are credit spread rate and volatility			
ii) Unlisted ordinary shares of Jolly Investment Limited	HK\$241,800,000	HK\$249,600,000	Level 3	Option Pricing model	Credit spread rate, determined by reference with credit analysis of the issuer and the market rate with similar credit ratio, of 7.97%. (2017: 9.66%).	The higher the credit spread rate, the lower the fair value. (2017: The higher the credit spread rate, the lower the fair value)	If the credit spread rate is 2.5% higher/lower, while all other variables were held constant, the fair value would decrease by HK\$1,377,069 (2017: HK\$12,836,234) and increase by HK\$1,479,058 (2017: HK\$13,929,887), respectively.
				The key inputs are credit spread rate and volatility			

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
	31 December 2018	31 December 2017					
iii) Listed equity securities of BEST Inc.	HK\$106,336,707	HK\$232,336,648	Level 1	Quoted bid prices in an active market	N/A	N/A	N/A
iv) Unlisted convertible preferred shares with put option of Spruce	HK\$397,800,000	HK\$246,394,681	Level 3	Option-Pricing model The key inputs are credit spread rate and volatility	Credit spread rate, determined by reference with credit analysis of the issuer and the market rate with similar credit ratio, of 11.06%. (2017: 8.18%). Volatility, determined by reference to the average annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share price of the comparable companies, of 43.49%. (2017: 41.85%).	The higher the credit spread rate, the lower the fair value. (2017: The higher the credit spread rate, the lower the fair value) The higher the volatility, the higher the fair value. (2017: The higher the volatility, the higher the fair value)	If the credit spread rate is 2.5% higher/lower, while all other variables were held constant, the fair value would decrease by HK\$203,875 (2017: HK\$6,801,344) and increase by HK\$232,673 (2017: HK\$7,486,625), respectively. If the volatility is 10% higher/lower, while all other variables were held constant/the fair value would increase by HK\$52,804 (2017: HK\$6,270,852) and decrease by HK\$109,946 (2017: HK\$8,366,834), respectively.
v) Unlisted convertible preferred shares with put option of G7 Networks Limited	HK\$229,320,000	HK\$202,800,000	Level 3	Option-Pricing model The key inputs are credit spread rate and volatility	Credit spread rate, determined by reference with credit analysis of the issuer and the market rate with similar credit ratio, of 7.97%. (2017: 9.66%). Volatility, determined by reference to the average annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share of the comparable companies, of 37.77%. (2017: 38.47%).	The higher the credit spread rate, the lower the fair value. (2017: The higher the credit spread rate, the lower the fair value) The higher the volatility, the higher the fair value. (2017: The higher the volatility, the higher the fair value)	If the credit spread rate is 2.5% higher/lower, while all other variables were held constant, the fair value would decrease by HK\$2,564,493 (2017: HK\$8,651,776) and increase by HK\$2,937,826 (2017: HK\$9,344,907), respectively. If the volatility is 10% higher/lower, while all other variables were held constant/the fair value would increase by HK\$1,249,612 (2017: HK\$1,412,572) and decrease by HK\$1,098,341 (2017: HK\$522,077), respectively.

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
	31 December 2018	31 December 2017					
vi) Unlisted convertible preferred shares with put option of Wacai Holdings Limited	HK\$210,600,000	HKD\$215,148,696	Level 3	Option-Pricing model The key inputs are credit spread rate and volatility	Credit spread rate, determined by reference with credit analysis of the issuer and the market rate with similar credit ratio, of 9.21% (2017: 8.43%). Volatility, determined by reference to the average annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share of the comparable companies, of 46.49% (2017: 61.77%).	The higher the credit spread rate, the lower the fair value. (2017: The higher the credit spread rate, the lower the fair value) The higher the volatility, the higher the fair value. (2017: The higher the volatility, the lower the fair value)	If the credit spread rate is 2.5% higher/lower, while all other variables were held constant, the fair value would decrease by HK\$1,113,287 (2017: HK\$1,174,303) and increase by HK\$1,199,243 (2017: HK\$1,957,364), respectively. If the volatility is 10% higher/lower, while all other variables were held constant/ the fair value would increase by HK\$296,196 (2017: decrease by HK\$1,390,795) and decrease by HK\$185,681 (2017: increase by HK\$1,567,872), respectively.
vii) Unlisted convertible preferred shares with put option of Yimidida Logistics Management Limited	HK\$186,031,900	HKD\$156,968,406	Level 3	Option-Pricing model The key inputs are credit spread rate and volatility	Credit spread rate, determined by reference with credit analysis of the issuer and the market rate with similar credit ratio, of 10.91% (2017: 5.36%). Volatility, determined by reference to the average annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share of the comparable companies, of 55.01% (2017: 53.76%).	The higher the credit spread rate, the lower the fair value. (2017: The higher the credit spread rate, the lower the fair value) The higher the volatility, the higher the fair value. (2017: The higher the volatility, the higher the fair value)	If the credit spread rate is 2.5% higher/lower, while all other variables were held constant, the fair value would decrease by HK\$7,809,056 (2017: HK\$15,313,725) and increase by HK\$8,655,836 (2017: HK\$17,442,088), respectively. If the volatility is 10% higher/lower, while all other variables were held constant/ the fair value would increase by HK\$6,878,791 (2017: HK\$813,675) and decrease by HK\$7,675,432 (2017: HK\$427,567), respectively.

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
	31 December 2018	31 December 2017					
viii) Unlisted convertible preferred shares with put option of NIO INC.	Nil	HK\$196,582,906	Level 3	Option-Pricing model The key inputs are credit spread rate and volatility	Credit spread rate, determined by reference with credit analysis of the issuer and the market rate with similar credit ratio, of 5.84%. Volatility, determined by reference to the average annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share of the comparable companies, of 39.75%.	The higher the credit spread rate, the lower the fair value. The higher the volatility, the higher the fair value.	If the credit spread rate is 2.5% higher/lower, while all other variables were held constant, the fair value would decrease by HK\$16,069,590 and increase by HK\$18,044,267, respectively. If the volatility is 10% higher/lower, while all other variables were held constant/ the fair value would increase by HK\$2,553,566 and decrease by HK\$1,466,576, respectively.
ix) Listed equity securities of NIO INC.	HK\$232,051,606		Nil Level 1	Quoted bid prices in an active market	N/A	N/A	N/A

The fair values of the financial assets are determined in accordance with option-pricing model which is a generally accepted pricing models.

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation (continued)

The directors of the Company consider that the carrying amounts of the financial assets and other payables recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value hierarchy

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
2018				
Financial assets				
Financial assets at fair value through profit or loss	338,388,313	–	1,710,151,900	2,048,540,213
2017				
Financial assets				
Financial assets at fair value through profit or loss	232,336,648	–	1,641,894,689	1,874,231,337

The fair values of the financial assets included in the level 3 category above have been determined in accordance with option-pricing model, with the most significant inputs being the credit spread rate that reflects the credit risk of counterparties and the volatility. The following table presents the changes in level 3 instruments for the year ended 31 December 2018 and 2017.

Reconciliation of level 3 fair value measurements

	Financial assets at fair value through profit or loss HK\$
At 1 January 2017	1,139,242,814
Total gains recognised in profit or loss	
– change in fair value of financial assets at fair value through profit or loss	232,625,695
Transfer to Level 1	(273,234,000)
Purchase	
– settled by cash during the year	543,260,180
At 31 December 2017 and 1 January 2018	1,641,894,689
Total gains recognised in profit or loss	
– change in fair value of financial assets at fair value through profit or loss	296,301,647
Transfer to Level 1	(228,044,436)
At 31 December 2018	1,710,151,900

3 FINANCIAL RISK MANAGEMENT (continued)

3.4 Fair value estimation (continued)

Reconciliation of Level 3 fair value measurements (continued)

Of the total gains for the year included in profit or loss, HK\$296,301,647 (2017: HK\$232,625,695) relates to financial assets at fair value through profit or loss classified as level 3 held at the end of the reporting period. Fair value gains on financial assets at fair value through profit or loss are included in 'net valuation gains in fair value of financial assets at fair value through profit or loss'. There was no disposal of financial assets at fair value through profit or loss during the year ended 31 December 2018.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair value of financial instruments and interests in associates measured at FVTPL

The Group selects appropriate valuation techniques for financial instruments and interest in associates measured at FVTPL for financial reporting purposes. The director has delegated the valuation work to finance division, which is headed up by the vice president of finance division of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of assets, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The finance division works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The vice president of finance division of the Company reports the finance division's findings to the directors of the Company regularly to explain the cause of fluctuations in the fair value of the assets and liabilities. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 3.4 provides detailed information about the valuation techniques and inputs used in the determination of the fair value of various assets.

5 SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified as the Company’s executive directors. The Group’s principal activity is investment in equity instruments and other financial instruments. For the purpose of resources allocation and assessment of performance, the CODM regularly reviews the Group’s investment portfolio, including financial assets at fair value through profit or loss. Information provided to the CODM includes fair value of the respective investees. The Group’s financial assets at fair value through profit or loss portfolio are managed and evaluated on a total return basis. No other discrete financial information was provided to the CODM. Therefore, the Group has identified only one operating segment-investment holding, and no separate segment information is disclosed. Management determines the Group is domiciled in Hong Kong, which is the location of the Group’s principal office. The Group’s non-current assets (other than financial instruments and property, plant and equipment) are located in the PRC, which is based on the operations of the associates. The Group’s revenue was all derived from the Group’s operation which is located in Hong Kong. Given that the nature of the Group’s operation is investment holding, there was no information regarding major customers as determined by the Group.

6 INCOME TAX EXPENSE/(CREDIT)

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2018 (2017: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2018	2017
	HK\$	HK\$
Withholding tax	86,777	20,172
Deferred taxation on withholding tax on undistributed earnings of associates (Note 18)	71,720	(434,180)
	158,497	(414,008)

6 INCOME TAX EXPENSE/(CREDIT) (continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2018 HK\$	2017 HK\$
Profit before income tax	139,738,316	176,547,163
Calculated at a taxation rate of 16.5% (2017: 16.5%)	23,056,822	29,130,282
Expenses not deductible for tax purposes	3,619,052	1,075,726
Income not subject to tax	(28,769,724)	(31,641,250)
Associates' results reported net of tax	(127,009)	(517,803)
Tax losses for which no deferred income tax asset was recognised	2,220,859	1,954,576
Tax effect of temporary differences	–	(1,531)
Tax effect of undistributed earnings of associates	71,720	(434,180)
Withholding tax on dividend income received from associates	86,777	20,172
Income tax expense/(credit)	158,497	(414,008)

7 EXPENSES BY NATURE

	2018 HK\$	2017 HK\$
Employee benefits expenses (Note 10)		
– Directors' fee (Note 9)	300,000	304,301
– Basic salaries and other benefits	5,742,398	5,079,880
– Retirement benefits contribution	256,496	213,386
Auditor's remuneration		
– Audit services	1,047,370	997,500
– Non-audit services	368,130	390,900
Investment management fees	350,000	350,000
Legal and professional fees	4,074,898	3,364,076
Others	3,021,731	3,290,665
Total of general and administrative expenses	15,161,023	13,990,708

Note:

During the year ended 31 December 2018, the Group paid HK\$1,062,978 (2017: HK\$1,036,226) services fee to a personnel services company which provides staff to the Group. Such amounts are excluded from the total staff costs as mentioned above.

8 FINANCE INCOME AND COSTS

	2018 HK\$	2017 HK\$
Finance income		
Bank interest income	52,445	36,807
Finance costs		
Interest expense of borrowings	(20,231,731)	(4,361,727)

9 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

Directors' and deputy chief executive officer's emoluments

The remuneration of every director and deputy chief executive officer for the year ended 31 December 2018 and 2017 is set out below:

	Directors' fee HK\$	Basic salaries and other benefits HK\$	Retirement benefits contributions HK\$	Total HK\$
For the year ended 31 December 2018				
Mr BAI Zhe	-	-	-	-
Mr ZHANG Jielong (Deputy Chief Executive Officer) (resigned on 29 March 2019)	-	-	-	-
Mr WANG Xiangfei	100,000	-	-	100,000
Mr FAN Ren Da, Anthony	100,000	-	-	100,000
Mr SIN Yui Man	100,000	-	-	100,000
	300,000	-	-	300,000

	Directors' fee HK\$	Basic salaries and other benefits HK\$	Retirement benefits contributions HK\$	Total HK\$
For the year ended 31 December 2017				
Mr BAI Zhe	-	-	-	-
Mr ZHANG Jielong (Deputy Chief Executive Officer)	-	-	-	-
Mr LIU Xiao Guang (deceased on 16 January 2017)	4,301	-	-	4,301
Mr YUAN Chun (Chief Executive Officer) (resigned on 19 June 2017)	-	-	-	-
Mr WANG Xiangfei	100,000	-	-	100,000
Mr FAN Ren Da, Anthony	100,000	-	-	100,000
Mr SIN Yui Man	100,000	-	-	100,000
	304,301	-	-	304,301

9 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (continued)

Directors' and deputy chief executive officer's emoluments (continued)

Other than the directors' emoluments disclosed above, Mr BAI Zhe and Mr ZHANG Jielong received emoluments from its immediate parent company, amounting to HK\$1,443,649 and HK\$554,023, respectively (2017: HK\$1,590,102 and HK\$2,073,306), part of which is in respect of their services to the immediate parent company and its subsidiaries. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group and their services to the Company's immediate parent company.

(a) Directors' retirement and termination benefits

None of the directors received or will receive any retirement and termination benefits during the year (2017: Nil).

(b) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2018, the Company did not pay consideration to any third parties for making available directors' services (2017: Nil).

(c) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2018, there are no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2017: Nil).

(d) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2018 (2017: Nil).

10 EMPLOYEE BENEFITS EXPENSES

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year do not include any directors whose emoluments are reflected in the analysis shown in Note 9 (2017: same). The emoluments payable to the five (2017: five) individuals during the year are as follows:

	2018 HK\$	2017 HK\$
Basic salaries and other benefits	3,968,542	2,545,083
Retirement benefits contributions	90,000	73,500
	4,058,542	2,618,583

Their emoluments were within the following bands:

	No. of individuals	
	2018 HK\$	2017 HK\$
Nil to HK\$1,000,000	4	5
HK\$1,000,001 to HK\$1,500,000	1	–
	5	5

No incentive was paid by the Group to the above individuals as inducements to join, or upon joining the Group.

11 DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

12 EARNINGS PER SHARE

	2018	2017
	HK\$	HK\$
Profit for the year attributable to owners of the Company	139,579,819	176,961,171

	2018	2017
	No. of shares	No. of shares
Weighted average number of shares in issue	2,902,215,360	2,902,215,360
Basic earnings per share (in HK cents)	4.81	6.10
Diluted earnings per share (in HK cents)	4.81	6.10

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. The calculation of diluted earnings per ordinary share is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares used, which is the same for calculating basic earnings per ordinary share above, as the Company did not have any dilutive potential ordinary shares arising from share options for the two years ended 31 December 2018 and 2017.

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture and fixtures HK\$	Total HK\$
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018			
Cost	401,733	357,522	759,255
Accumulated depreciation	(401,733)	(357,522)	(759,255)
Net book amount	-	-	-

As at 31 December 2018, the Group had gross carrying amount of fully depreciated property, plant and equipment of HK\$759,255 (2017: HK\$759,255) that is still in use.

14 INTERESTS IN ASSOCIATES

	2018	2017
	HK\$	HK\$
At 1 January	73,892,455	67,112,795
Share of profits	769,749	3,134,448
Dividends from an associate	(867,781)	(201,716)
Currency translation difference	(3,309,486)	3,846,928
At 31 December	70,484,937	73,892,455

The Group's principle associates accounted for using the equity method are as follows:

Name of associate	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group		Proportion of voting power held		Principal activities
			31 December 2018	31 December 2017	31 December 2018	31 December 2017	
Beijing Far East Instrument Company Limited	Peoples' Republic of China	Peoples' Republic of China	25%	25%	25%	25%	Manufacture of electronic and electrical instruments
China Property Development (Holdings) Limited	The Cayman Islands	Peoples' Republic of China	33.42%	33.42%	20.49%	20.49%	Investment holding

Summarised financial information for associates

Set out below is the summarised financial information for Beijing Far East Instrument Company Limited and China Property Development (Holdings) Limited which are accounted for using the equity method.

Beijing Far East Instrument Company Limited ("BJFE") and China Property Development (Holdings) Limited ("CPDH")

Summarised statement of financial position

	BJFE		CPDH	
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
Current				
Total current assets	626,605,824	562,168,438	28,220,306	32,883,685
Total current liabilities	(441,308,281)	(379,064,227)	(21,016,515)	(23,052,690)
Non-current				
Total non-current assets	130,647,061	144,173,240	–	–
Total non-current liabilities	(43,634,874)	(44,849,700)	–	–
Net assets	272,309,730	282,427,751	7,203,791	9,830,995

14 INTERESTS IN ASSOCIATES (continued)

Summarised statement of profit or loss and other comprehensive income

	BJFE		CPDH	
	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
Revenue	838,561,210	749,475,700	–	–
Profit/(loss) before income tax	6,967,210	3,692,545	(2,627,204)	8,746,499
Profit/(loss) for the year	6,591,053	845,472	(2,627,204)	8,746,499
Total comprehensive (loss)/income	(6,646,897)	16,233,184	(2,627,204)	8,746,499
Dividends received from associate	867,781	201,716	–	–

The information above reflects the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the Group and the associates.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates

	BJFE		CPDH	
	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
Opening net assets as at 1 January	282,427,751	267,001,429	9,830,995	1,084,496
Profit/(loss) for the year	6,591,053	845,472	(2,627,204)	8,746,499
Dividend distributed	(3,471,125)	(806,862)	–	–
Currency translation differences	(13,237,949)	15,387,712	–	–
Closing net assets as at 31 December	272,309,730	282,427,751	7,203,791	9,830,995
Interest in associates	25%	25%	33.42%	33.42%
Carrying value as at 31 December	68,077,432	70,606,937	2,407,507	3,285,518

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	HK\$	HK\$
Financial assets at fair value through profit or loss (note i)	1,806,740,213	1,624,631,337
Interests in an associate measured at FVTPL (note ii)	241,800,000	249,600,000
	2,048,540,213	1,874,231,337
Analysed to reporting purpose as		
Non-current assets	1,816,488,607	1,874,231,337
Current assets	232,051,606	–
	2,048,540,213	1,874,231,337

Certain financial assets of the Group are designated at fair value through profit or loss because the relevant financial assets constitute a group that is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management and investment strategy, and information about the Group is provided internally on that basis to the Group's key management personnel. Changes in fair values of financial assets at fair value through profit or loss are recorded in the consolidated statement of comprehensive income. The information of the fair values of financial assets at fair value through profit or loss is disclosed in Note 3.4.

note i

- (a) On 29 September 2014, the Group entered into a share subscription agreement with Jade Sino Ventures Limited ("**Jade Sino**"). Pursuant to the agreement, the Group subscribed 11,904 ordinary shares of Jade Sino for an aggregate amount of US\$24,998,400 (equivalent to HK\$194,987,520), representing approximately 23.81% of the enlarged issued share capital of Jade Sino. Jade Sino is an investment holding company incorporated in the British Virgin Islands with limited liabilities. It directly holds 20% of the equity interests of Jinko Power Technology Co., Ltd. ("**Jinko Power**", formerly known as Jiangxi JinkoSolar Power Engineering Co., Ltd. ("**Jiangxi JinkoSolar**"), a company incorporated in the PRC with limited liabilities. Jiangxi JinkoSolar and its subsidiaries are principally engaged in developing, building and operating photovoltaic power stations in the PRC. The convertible preferred shares may, at the option of Jade Sino, be converted into fully paid ordinary shares of JinkoSolar Power. In addition, the preferred shares are redeemable at the option of Jade Sino if a qualified IPO has not occurred on or prior to 25 January 2017, with an annual return of 13% on the principal. The Group had not exercised its redemption option of Jade Sino during the Year on a voluntary basis, and it is the intention of the Company to extend and hold the redemption option until a qualified IPO occurs. As at 31 December 2018, the fair value of the ordinary shares of Jade Sino held by the Group was HK\$444,600,000 (2017: HK\$374,400,000). As at 31 December 2018, Jade Sino directly held approximately 15.01% of the equity interests of Jinko Power.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

note i (continued)

- (b) On 18 January 2016, the Group entered into a shares subscription agreement with Best Inc. (formerly known as “**Best Logistics Technologies Limited**”) (“**Best Inc.**”). Pursuant to the agreement, the Group subscribed 3,317,010 convertible preferred shares of Best Logistics for an aggregate amount of US\$30,000,000 (equivalent to HK\$234,000,000), representing 0.96% of the enlarged issued share capital of Best Inc.. The convertible preferred shares may, at the option of the Group, be converted into fully paid ordinary shares of Best Logistics. In addition, the convertible preferred shares are redeemable at the option of the Group if a qualified IPO has not occurred on or prior to 31 December 2018, with an annual return of 12% on the principal. Shares of BEST Inc. were successfully listed for trading on New York Stock Exchange in September 2017. BEST Inc. (“**BEST**”) (NYSE: BSTI) is principally engaged in express delivery, freight delivery and supply chain service. As at 31 December 2018, the fair value of the shares held by the Group was HK\$106,337,000 (2017: HK\$232,337,000). As at 31 December 2018, the proportion of its issued share capital of BEST owned by the Group was approximately 0.86%.
- (c) On 24 November 2016, the Group entered into a shares subscription agreement with Spruce. Pursuant to the agreement, the Group subscribed 34,441,169 convertible preferred shares of Spruce for an aggregate amount of US\$25,700,000 (equivalent to HK\$200,460,000), representing 1.24% of the enlarged issued share capital of Spruce. The convertible preferred shares may, at the option of the Group, be converted into fully paid ordinary shares of Spruce. In addition, the convertible preferred shares are redeemable at the option of the Group if a qualified IPO has not occurred on or prior to 22 March 2021, with 120% on applicable Preferred Share Purchase Price. Spruce is an investment holding company incorporated in the Cayman Islands with limited liabilities. It provides supply chain related services including ingredient procurement, warehousing and distribution to small-and-medium-sized restaurants in the PRC. As at 31 December 2018, the fair value of the preferred shares with the put option of Spruce held by the Group was HK\$397,800,000 (2017: HK\$246,395,000). As at 31 December 2018, the proportion of the issued share capital of Spruce owned by the Group was approximately 1.06%.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

note i (continued)

- (d) On 29 December 2016, Excellent Fleet Limited, a wholly owned subsidiary of the Company, entered into a share subscription agreement with G7 Networks Limited ("**G7 Networks**"). Pursuant to the agreement, the Group subscribed 1,986,008 convertible preference shares of G7 Networks for an aggregate amount of US\$25,000,000 (equivalent to HK\$195,000,000), representing 5.59% of the enlarged issued share capital of G7 Networks. The convertible preferred shares may, at the option of the Group, be converted into fully paid ordinary shares of G7 Networks. In addition, the preferred shares are redeemable at the option of the Group if a qualified IPO has not occurred on or prior to 8 June 2020, with an annual return of 12% on the principal. G7 Networks was incorporated in the Cayman Islands with limited liabilities and engages in fleet logistic management services. As at 31 December 2018, the fair value of the preferred shares with the put option of G7 Networks held by the Group was HK\$229,320,000 (2017: HK\$202,800,000). As at 31 December 2018, the proportion of the issued share capital of G7 Networks owned by the Group was approximately 4.14%.
- (e) On 8 April 2017, Excellent Fortune Limited, a wholly-owned subsidiary of the Company entered into a preferred share purchase agreement (the "**Wacai Investment Agreement**") with Wacai Holdings Limited ("Wacai") Pursuant to the agreement, the Group subscribed 3,317,010 preferred shares of Wacai for an aggregate amount of US\$25,000,000, representing 3.09% of the issued share capital of Wacai. The preferred shares may, at the option of the Group, be converted into fully paid ordinary shares of Wacai. In addition, the convertible preferred shares are redeemable at the option of the Group if a qualified IPO has not occurred on or prior to 27 April 2021, with an annual return of 10%. Wacai operates an online comprehensive financial planning and wealth management platform in the fin-tech industry in the PRC. As at 31 December 2018, the fair value of the preferred shares with the put option of Wacai held by the Group was approximately HK\$210,600,000 (2017: HK\$215,149,000). As at 31 December 2018, the proportion of the issued share capital of Wacai owned by the Group was approximately 3.08%.
- (f) On 1 December 2017, Star Azure International Limited, a wholly-owned subsidiary of the Company entered into a preferred share purchase agreement with NIO INC. ("NIO") ("**NIO Investment Agreement**"). Pursuant to the agreement, the Group subscribed 4,670,362 preferred shares of NIO for an aggregate amount of US\$25,000,000. The preferred shares may, at the option of the Group, be converted into fully paid ordinary shares of NIO. In addition, the convertible preferred shares are redeemable at the option of the Group if a qualified IPO has not occurred on or prior to 31 December 2021, with an annual return of 8%. NIO INC., an investment holding company incorporated in the Cayman Islands with limited liabilities, which is engaged in the design, manufacturing and sales of smart and connected premium electric vehicles, driving innovations in next generation technologies in connectivity, autonomous driving and artificial intelligence. As at 31 December 2018, the proportion of its issued share capital owned by the Group was approximately 0.44%. As at 31 December 2018, the fair value of the shares held by the Group was approximately HK\$232,052,000 (2017: HK\$196,583,000). On 12 September 2018, shares of NIO were successfully listed for trading on the New York Stock Exchange ("NYSE").

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

note i (continued)

- (g) On 30 November 2017, Excellent Graticule Limited, a wholly-owned subsidiary of the Company entered into a capital increment agreement with Yimidida Logistics Management Limited (“Yimidida”) (“Yimidida Capital Increment Agreement”). Pursuant to the agreement, the Group subscribed for the shares of Yimidida for an aggregate amount of RMB130,000,000, representing 7.39% of the issued share capital of Yimidida. Yimidida is principally engaged in the operation of the less-than-truckload freight network and was jointly established by several regional leading less-than-truckload logistics enterprises, Yimidida, with the mode of direct operation in core areas and regional franchise, unified the branding, systems, clearing, services and management standards of its partners along the whole ecological chain, and rapidly established the country-wide freight franchise network. As at 31 December 2018, the proportion of its issued share capital owned by the Group was approximately 5.38%. As at 31 December 2018, the fair value of the issued share capital owned by the Group was approximately HK\$186,032,000 (2017: HK\$156,968,000).

note ii

On 15 December 2015, the Group entered into a share subscription agreement with Jolly Investment Limited (“Jolly”). Pursuant to the agreement, the Group subscribed 7,245 ordinary shares of Jolly for an aggregate amount of US\$25,000,000 (equivalent to HK\$195,000,000), representing 23.04% of the enlarged issued share capital of Jolly. Jolly is an investment holding company incorporated in the Cayman Islands with limited liabilities. As at 31 December 2018, it indirectly holds 21.74% of the equity interests of Guangzhou P.G. Investment Co., Ltd. (廣州寶供投資有限公司) (“**PG Investment**”), a company incorporated in the PRC. PG Investment is a logistics warehouse infrastructure operator in the PRC. The ordinary shares of PG Investment are redeemable at the option of Jolly if a qualified IPO has not occurred on or prior to 15 December 2020, with an annual return of 12% on the principal. As at 31 December 2018, the fair value of the ordinary shares of Jolly held by the Group was HK\$241,800,000 (2017: HK\$249,600,000).

16 CASH AND CASH EQUIVALENTS

	2018 HK\$	2017 HK\$
Cash at banks and in hand	51,315,669	90,383,557
Short-term bank deposits	7,838,726	2,490,282
Cash and cash equivalents	59,154,395	92,873,839

Short-term bank deposits carry interest at prevailing rate at 1.50% (2017: 0.90%) per annum.

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2018 HK\$	2017 HK\$
United States Dollars	30,783,738	52,800,695
Hong Kong Dollars	26,140,942	37,667,703
Renminbi	2,229,715	2,405,441
	59,154,395	92,873,839

17 OTHER PAYABLES AND ACCRUALS

	2018 HK\$	2017 HK\$
Accrued operating expenses	6,277,290	5,486,625

18 DEFERRED TAXATION LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the year:

	Undistributed profits of an associate HK\$
At 1 January 2017	2,325,834
Credited to the consolidated statement of profit or loss (Note 6)	(434,180)
At 31 December 2017	1,891,654
Charged to the consolidated statement of profit or loss (Note 6)	71,720
At 31 December 2018	1,963,374

At the end of the year, the Group had unused tax losses of HK\$99,863,171 (2017: HK\$86,403,420) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams in prior year. These tax losses have no expiry date.

19 SHARE CAPITAL

	Number of shares	Nominal value of shares HK\$
Ordinary shares, issued and fully paid:		
At 1 January 2017, 31 December 2017 and 2018	2,902,215,360	29,022,154

20 BORROWINGS

	2018 HK\$	2017 HK\$
Bank borrowings	546,000,000	546,000,000

The borrowings were repayable, without taking into account the repayable on demand clauses, as follows:

	2018 HK\$	2017 HK\$
Within 1 year	546,000,000	546,000,000
Between 1 and 2 years	–	–
Between 2 and 5 years	–	–
	546,000,000	546,000,000

The carrying amounts of borrowings of the Group approximate their fair values and is denominated in US\$. The bank borrowing carried floating rates at London Interbank Offered Rate plus 1.5%. Total bank borrowings of HK\$546,000,000 are unsecured and repayable on demand.

21 RELATED PARTY TRANSACTIONS

The Company's immediate parent company is China Development Bank International Holdings Limited, a private limited company established in Hong Kong and its ultimate parent company is CDB, a wholly state-owned policy bank established on 17 March 1994 in the PRC. CDB is a joint stock commercial bank established jointly by the MOF and Huijin. The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. Huijin was established to hold certain equity investments as authorised by the State Council and does not engage in other commercial activities. Huijin exercises legal rights and obligations on behalf of the PRC government.

21 RELATED PARTY TRANSACTIONS (continued)

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties:

- (a) On 11 November 2016, the Company entered into a loan facility agreement with its immediate parent company which its immediate parent company will provide term loans to the Company with amount up to US\$100,000,000. The term loans are unsecured, interest bearing at LIBOR + 1.65% per annum, and repayable at twelve months after the date of withdrawal. As at 31 December 2018, the Company has not utilised any of the loan facility (2017: same).
- (b) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	2018	2017
	HK\$	HK\$
Short term benefits	2,987,844	1,857,734
Post-employment benefits	54,000	37,500
	3,041,844	1,895,234

Note: Certain directors' compensation was borne by the immediate parent company of the Group.

- (c) The Group shared the office premises with its immediate parent company and the rental expense was borne by its immediate parent company.

22 SHARE-BASED PAYMENT TRANSACTIONS

There were no options granted under the Scheme during the years ended 31 December 2018 (2017: Nil). There are no outstanding options as at 31 December 2018 (2017: Nil).

23 CASH FLOW INFORMATION

Net debt reconciliation

This section sets out analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	2018 HK\$	2017 HK\$
Cash and cash equivalents	59,154,395	92,873,839
Borrowings – repayable within one year (including overdraft)	(546,000,000)	(546,000,000)
Net debt	(486,845,605)	(453,126,161)
Cash and liquid investments	59,154,395	92,873,839
Gross debt – variable interest rates	(546,000,000)	(546,000,000)
Net debt	(486,845,605)	(453,126,161)

	Other assets		Liabilities from financing activities	
	Cash/bank overdraft HK\$	Borrow due within 1 year HK\$	Interest payable HK\$	Total HK\$
Net debt as at 1 January 2017	108,751,139	–	–	108,751,139
Cash flows	(15,877,300)	(546,000,000)	(4,361,727)	(566,239,027)
Other non-cash movements	–	–	4,361,727	4,361,727
Net debt as at 31 December 2017 and 1 January 2018	92,873,839	(546,000,000)	–	(453,126,161)
Cash flows	(33,719,444)	–	(19,955,318)	(53,674,762)
Other non-cash movements	–	–	19,955,318	19,955,318
Net debt as at 31 December 2018	59,154,395	(546,000,000)	–	(486,845,605)

24 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2018 HK\$	2017 HK\$
Assets		
Non-current assets		
Property, plant and equipment	–	–
Investments in subsidiaries	33	33
Financial assets at fair value through profit or loss	1,190,536,707	1,102,731,329
Amounts due from subsidiaries	757,915,579	757,017,006
	1,948,452,319	1,859,748,368
Current assets		
Other receivables, prepayments and deposits	–	49,196
Cash and cash equivalents	58,264,070	92,873,839
	58,264,070	92,923,035
Total assets	2,006,716,389	1,952,671,403
Equity and liabilities		
Liabilities		
Current liabilities		
Other payables and accruals	6,227,933	5,486,625
Borrowings	546,000,000	546,000,000
Amounts due to subsidiaries	92,600,606	91,819,603
	644,828,539	643,306,228
Equity		
Capital and reserves		
Share capital	29,022,154	29,022,154
Reserves	1,332,865,696	1,280,343,021
	1,361,887,850	1,309,365,175
Total equity and liabilities	2,006,716,389	1,952,671,403

(b) Reserve movement of the Company

	Share premium HK\$	Capital redemption reserve HK\$	Retained earning HK\$	Total HK\$
At 31 December 2016 and 1 January 2017	1,043,800,995	270,200	96,089,923	1,140,161,118
Profit for the year	–	–	140,181,903	140,181,903
At 31 December 2017	1,043,800,995	270,200	236,271,826	1,280,343,021
Profit for the year	–	–	52,522,675	52,522,675
At 31 December 2018	1,043,800,995	270,200	288,794,501	1,332,865,696

25 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2018 and 2017:

Name	Place of incorporation and kind of legal entity	Principal activities	Paid up issued ordinary share capital	Proportion of ordinary share capital directly held by the parent (%)	
				2018	2017
Pacific Equity Venture Inc.	British Virgin Islands, limited liability company	Investment holding	1 share of HK\$1	100%	100%
Kencheers Investments Ltd.	British Virgin Islands, limited liability company	Investment holding	1 share of HK\$1	100%	100%
Excellent Fleet Limited	British Virgin Islands, limited liability company	Investment holding	1 share of US\$1	100%	100%
Ample Excess Limited	British Virgin Islands, limited liability company	Investment holding	1 share of US\$1	100%	100%
Excellent Fortune Limited	British Virgin Islands, limited liability company	Investment holding	1 share of US\$1	100%	100%
Star Azure International Limited	British Virgin Islands, limited liability company	Investment holding	1 share of US\$1	100%	100%
Excellent Graticule Limited	British Virgin Islands, limited liability company	Investment holding	1 share of HK\$1	100%	100%

None of the subsidiaries had issued any debt securities at the end of the year (2017: Nil).

26 NET ASSET VALUE PER SHARE

Net asset value per share is computed based on the consolidated net assets of HK\$1,623,938,881 (2017: HK\$1,487,668,548) and 2,902,215,360 ordinary shares in issue as at 31 December 2018 (2017: 2,902,215,360 ordinary shares).

27 EVENT AFTER THE BALANCE SHEET DATE

On 6 March 2019, the board of director has approved the disposal of all the investment in NIO on the New York Stock Exchange. The carrying value of the investment in NIO of HK\$232,051,606, was classified as financial asset at fair value through profit or loss in the consolidated statement of financial position, for details please refer to Note 15(f).

Five Year Financial Summary

For the five year ended 31 December 2018

The consolidated results and assets and liabilities of the Group for the past five years:-

Results

	2018 HK\$	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$
Investment income	-	-	-	34,597,808	52,727,655
Profit before income tax	139,738,316	176,547,163	85,072,530	118,298,132	48,950,161
Assets and liabilities					
Non-current assets					
Property, plant and equipment	-	-	-	-	-
Interests in associates	70,484,937	73,892,455	67,112,795	70,777,676	72,415,974
Financial assets at fair value through profit or loss	1,816,488,607	1,874,231,337	1,139,242,814	218,000,293	196,342,657
Prepayment	-	-	-	195,000,000	-
	1,886,973,544	1,948,123,792	1,206,355,609	483,777,969	268,758,631
Current assets					
Financial assets at fair value through profit or loss	232,051,606	-	-	163,785	434,130,306
Other receivables, prepayments and deposits	-	49,196	343,809	490,971	206,510
Cash and cash equivalents	59,154,395	92,873,839	108,751,139	748,578,554	414,901,459
	291,206,001	92,923,035	109,094,948	749,233,310	849,238,275
Current liabilities					
Other payables and accruals	(6,277,290)	(5,486,625)	(6,264,274)	(4,097,594)	(2,840,963)
Borrowings	(546,000,000)	(546,000,000)	-	-	-
Tax payable	-	-	-	(4,419,982)	-
Net current (liabilities)/assets	(261,071,289)	(458,563,590)	102,830,674	740,715,734	846,397,312
Total assets less current liabilities	1,625,902,255	1,489,560,202	1,309,186,283	1,224,493,703	1,115,155,943
Non-current liability					
Deferred tax liabilities	(1,963,374)	(1,891,654)	(2,325,834)	(2,972,962)	(2,512,483)
Net assets	1,623,938,881	1,487,668,548	1,306,860,449	1,221,520,741	1,112,643,460
Capital and reserves					
Share capital	29,022,154	29,022,154	29,022,154	29,022,154	29,022,154
Reserves	1,594,916,727	1,458,646,394	1,277,838,295	1,192,498,587	1,083,621,306
Total equity	1,623,938,881	1,487,668,548	1,306,860,449	1,221,520,741	1,112,643,460