光大控股
EVERBRIGHT

# CHINA EVERBRIGHT LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 165)**

## ANNOUNCEMENT
## RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "Director(s)") (the "Board") of China Everbright Limited (the "Company") is pleased to announce that the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 together with relevant comparative figures for the previous year are as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
*For the year ended 31 December 2018*

| | *Notes* | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|---|
| Continuing operations | | | |
| Turnover | *3* | **9,211,012** | 8,454,405 |
| Operating income | *3* | **1,644,131** | 1,766,955 |
| Other net income | *3* | **3,052,256** | 3,761,710 |
| Staff costs | | **(551,175)** | (525,255) |
| Depreciation and amortisation expenses | | **(30,948)** | (30,960) |
| Impairment losses | | **(23,704)** | (277,997) |
| Other operating expenses | | **(460,517)** | (379,661) |
| Profit from operations | | **3,630,043** | 4,314,792 |
| Finance costs | | **(946,737)** | (749,311) |
| Share of profits less losses of associates | *8* | **583,850** | 1,300,456 |
| Share of profits less losses of joint ventures | *9* | **117,132** | 72,018 |
| Profit before taxation | | **3,384,288** | 4,937,955 |
| Income tax | *4* | **(380,099)** | (853,497) |
| Profit from continuing operations | | **3,004,189** | 4,084,458 |
| Discontinued operations | | | |
| Profit from disposal group held for sale | *5* | **6,775** | 207,604 |
| **Profit for the year** | | **3,010,964** | 4,292,062 |

| | Note | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **Profit attributable to equity shareholders of the Company** | | | |
| Continuing operations | | **3,097,142** | 3,940,738 |
| Discontinued operations | | **6,775** | 207,604 |
| | | **3,103,917** | 4,148,342 |
| **Non-controlling interests** | | **(92,953)** | 143,720 |
| **Profit for the year** | | **3,010,964** | 4,292,062 |
| **Basic and diluted earnings per share** | *7* | | |
| Continuing operations | | **HK$1.838** | HK$2.338 |
| Discontinued operations | | **HK$0.004** | HK$0.123 |
| | | **HK$1.842** | HK$2.461 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2018*

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2018*

| | *Notes* | **31 December 2018 HK$'000** | 31 December 2017 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **448,433** | 465,379 |
| Investment properties | | **446,306** | 45,600 |
| Amounts due from investee companies | *12* | **–** | 187,276 |
| Investments in associates | *8* | **17,886,726** | 19,753,254 |
| Investments in joint ventures | *9* | **1,167,987** | 916,208 |
| Available-for-sale securities | *10* | **–** | 12,196,855 |
| Equity investments designated at fair value through other comprehensive income | *11* | **6,561,759** | – |
| Financial assets at fair value through profit or loss | *12* | **36,190,718** | 24,705,555 |
| Advances to customers | *13* | **1,211,908** | – |
| Other assets | | **578,293** | 678,586 |
| | | **64,492,130** | 58,948,713 |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss | *12* | **1,371,003** | – |
| Advances to customers | *13* | **986,904** | 4,350,612 |
| Finance lease receivables | | **–** | 21,374 |
| Debtors, deposits and prepayments | *14* | **1,234,888** | 1,393,768 |
| Trading securities | | **1,573,693** | 2,116,500 |
| Cash and cash equivalents | | **6,863,902** | 5,178,356 |
| | | **12,030,390** | 13,060,610 |
| Assets classified as held for sale | *5* | **738,244** | 908,948 |
| | | **12,768,634** | 13,969,558 |
| **Current liabilities** | | | |
| Trading securities | | **(136,312)** | (130,581) |
| Bank loans | *15* | **(3,501,739)** | (2,611,257) |
| Creditors, deposits received and accrued charges | *16* | **(3,314,280)** | (2,208,123) |
| Other financial liabilities | | **(241,019)** | (266,930) |
| Notes payable | | **(27,000)** | (57,000) |
| Bonds payable | *17* | **(3,382,860)** | – |
| Provision for taxation | | **(336,563)** | (667,116) |
| | | **(10,939,773)** | (5,941,007) |
| Liabilities classified as held for sale | *5* | **–** | (426,502) |
| | | **(10,939,773)** | (6,367,509) |
| **Net current assets** | | **1,828,861** | 7,602,049 |
| **Total assets less current liabilities** | | **66,320,991** | 66,550,762 |

| | Notes | **31 December 2018 HK$'000** | 31 December 2017 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank loans | *15* | **(10,684,234)** | (9,374,977) |
| Other financial liabilities | | **(4,353,828)** | (1,262,866) |
| Notes payable | | **(30,000)** | – |
| Bonds payable | *17* | **(8,457,150)** | (12,414,675) |
| Deferred tax liabilities | | **(1,415,582)** | (1,153,249) |
| | | **(24,940,794)** | (24,205,767) |
| **NET ASSETS** | | **41,380,197** | 42,344,995 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | *18* | **9,618,097** | 9,618,097 |
| Reserves | | **30,240,565** | 31,052,314 |
| **Total equity attributable to equity shareholders of the Company** | | **39,858,662** | 40,670,411 |
| Non-controlling interests | | **1,521,535** | 1,674,584 |
| **TOTAL EQUITY** | | **41,380,197** | 42,344,995 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2018*

| | | Attributable to equity shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Notes* | **Share capital** HK$'000 | **Option premium reserve** HK$'000 | **Investment revaluation reserve** HK$'000 | **Goodwill reserve** HK$'000 | **Capital reserve** HK$'000 | **Exchange reserve** HK$'000 | **Retained earnings** HK$'000 | **Total** HK$'000 | **Non-controlling interests** HK$'000 | **Total equity** HK$'000 |
| As at 1 January 2017 | | 9,618,097 | 1,242 | 8,147,672 | (668,499) | (410,686) | (454,848) | 20,976,513 | 37,209,491 | 2,276,904 | 39,486,395 |
| Net investment by non-controlling shareholders | | – | – | – | – | (93,924) | – | – | (93,924) | (622,141) | (716,065) |
| Dividends paid | *6* | – | – | – | – | – | – | (1,263,940) | (1,263,940) | – | (1,263,940) |
| Share of capital reserve of an associate | | – | – | – | – | 14,420 | – | – | 14,420 | – | 14,420 |
| Profit for the year | | – | – | – | – | – | – | 4,148,342 | 4,148,342 | 143,720 | 4,292,062 |
| Other comprehensive income for the year | | – | – | (898,119) | – | – | 1,554,141 | – | 656,022 | (123,899) | 532,123 |
| As at 31 December 2017 | | 9,618,097 | 1,242 | 7,249,553 | (668,499) | (490,190) | 1,099,293 | 23,860,915 | 40,670,411 | 1,674,584 | 42,344,995 |
| Impact on transition to HKFRS 9 | *2* | – | – | (1,144,264) | – | – | – | 1,144,264 | – | – | – |
| As at 1 January 2018 | | 9,618,097 | 1,242 | 6,105,289 | (668,499) | (490,190) | 1,099,293 | 25,005,179 | 40,670,411 | 1,674,584 | 42,344,995 |
| Net movement by non-controlling shareholders | | – | – | – | – | (89,527) | – | – | (89,527) | (16,723) | (106,250) |
| Dividends paid | *6* | – | – | – | – | – | – | (1,449,318) | (1,449,318) | – | (1,449,318) |
| Profit for the year | | – | – | – | – | – | – | 3,103,917 | 3,103,917 | (92,953) | 3,010,964 |
| Other comprehensive income for the year | | – | – | (950,719) | – | (41,561) | (1,384,541) | – | (2,376,821) | (43,373) | (2,420,194) |
| As at 31 December 2018 | | 9,618,097 | 1,242 | 5,154,570 | (668,499) | (621,278) | (285,248) | 26,659,778 | 39,858,662 | 1,521,535 | 41,380,197 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 December 2018*

| | 2018 | 2017 |
|---|---|---|
| | HK$'000 | HK$'000 |
| **NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES** | **476,216** | (805,590) |
| **INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | **(10,172)** | (9,220) |
| Proceeds from disposal of investment properties | **17,700** | 38,260 |
| Proceeds from disposal of property, plant and equipment | **220** | – |
| Purchase of available-for-sale securities | **–** | (22,820) |
| Purchase of financial assets at fair value through profit or loss | **(10,815,911)** | (11,823,550) |
| Increase/(decrease) in other financial liabilities | **2,961,455** | (1,856,473) |
| Investments in associates | **(23,995)** | (1,824,366) |
| Net cash from losing control of subsidiaries | **–** | (144,619) |
| Purchase of disposal group held for sale | **(738,244)** | – |
| Net cash from disposal group held for sale | **–** | 379,211 |
| Investments in joint ventures | **(202,275)** | (345,258) |
| Proceeds from disposal of available-for-sale securities | **–** | 3,733,557 |
| Proceeds from disposal of financial assets at fair value through profit or loss | **6,560,228** | 7,315,964 |
| Proceeds from partial disposal of an associate | **1,230,400** | 1,091,309 |
| Bank interest received | **41,993** | 69,371 |
| Dividend from investments in equity securities | **851,340** | 596,381 |
| Dividend from associates | **450,823** | 427,977 |
| **NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES** | **323,562** | (2,374,276) |
| **NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES** | **799,778** | (3,179,866) |

| | 2018 | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **FINANCING ACTIVITIES** | | |
| Issue of shares in subsidiaries to non-controlling shareholders | **327,194** | 263,446 |
| Redemption of shares by non-controlling shareholders | **(6,664)** | (7,907) |
| Proceeds from bank loans | **15,393,071** | 15,987,449 |
| Proceeds from issue of bonds payable | **–** | 2,955,875 |
| Repayment of bank loans | **(13,168,048)** | (14,698,806) |
| Dividends paid to non-controlling shareholders | **(192,326)** | (850,587) |
| Dividends paid | **(1,449,318)** | (1,263,940) |
| **NET CASH INFLOW FROM FINANCING ACTIVITIES** | **903,909** | 2,385,530 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **1,703,687** | (794,336) |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of year | **5,178,356** | 5,959,534 |
| Exchange rate adjustments | **(18,141)** | 13,158 |
| End of year | **6,863,902** | 5,178,356 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. BASIS OF PRESENTATION

The financial report, which has been reviewed by the Company's Audit and Risk Management Committee, is prepared on a basis consistent with the accounting policies and methods adopted in the 2017 annual financial statements except for the changes in accounting policies described in note 2.

The financial information relating to the years ended 31 December 2018 and 2017 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2018 in due course.

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

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

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

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

| | |
|---|---|
| HKFRS 9 | *Financial Instruments* |
| HKFRS 15 | *Revenue from Contracts with Customers* |
| Amendments to HKFRS 15 | *Clarifications to HKFRS 15 Revenue from Contracts with Customers* |
| Amendments to HKAS 40 | *Transfers of Investment Property* |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration* |
| *Annual Improvements 2014-2016 Cycle* | Amendments to HKFRS 1 and HKAS 28 |

The nature and the impact of the new and revised HKFRSs amendments are described below:

HKFRS 15 and its amendments replace HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers.

As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The application of HKFRS 15 has no significant impact on the Group's financial statements.

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

**Classification and measurement**

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, where the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs") is not significant to the Group's financial statements.

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

| **Financial assets** | **Original classification category under HKAS 39** | **New classification category under HKFRS 9** | **Original carrying amount under HKAS 39 HK$'000** | **New carrying amount under HKFRS 9 HK$'000** |
|---|---|---|---:|---:|
| Equity investments designated at fair value through other comprehensive income | Available-for-sale financial assets | Fair value | 7,512,478 | 7,512,478 |
| Financial assets at fair value through profit or loss | Available-for-sale financial assets | Fair value | 4,684,377 | 4,684,377 |
| Financial assets at fair value through profit or loss | Amounts due from investee companies (Amortised cost) | Fair value | 187,276 | 187,276 |

## 3. TURNOVER, OPERATING INCOME AND OTHER NET INCOME

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

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

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Operating income** | | |
| Revenue from contracts with customers, recognised over time | | |
| Consultancy and management fee income | **561,181** | 506,760 |
| Revenue from other sources | | |
| Interest income on financial assets not at fair value through profit or loss | | |
| – bank deposits | **41,993** | 69,371 |
| – advances to customers | **303,753** | 294,558 |
| – unlisted debt securities | **41,056** | 34,305 |
| Dividend income | | |
| – listed investments | **397,360** | 214,457 |
| – unlisted investments | **452,477** | 361,554 |
| Net realised gain/(loss) on trading securities | | |
| – equity securities | **(25,341)** | 184,019 |
| – debt securities | **(7,288)** | 3,457 |
| – derivatives | **9,852** | (201) |
| Net unrealised gain/(loss) on trading securities | | |
| – equity securities | **(77,065)** | 83,437 |
| – debt securities | **(34,650)** | 7,917 |
| – derivatives | **(21,416)** | 1,634 |
| Rental income from investment properties | **1,953** | 2,851 |
| Rental income from finance leases | **266** | 2,836 |
| | **1,644,131** | 1,766,955 |
| **Other net income** | | |
| Net realised gain on disposal of available-for-sale securities | **–** | 2,058,420 |
| Net realised gain on disposal of financial assets at fair value through profit or loss | **1,313,401** | 309,216 |
| Net realised loss on discharge of financial liabilities at fair value through profit or loss | **–** | (202,996) |
| Changes in unrealised profit or loss on financial assets at fair value through profit or loss | **1,359,547** | 1,172,703 |
| Realised gain on partial disposal of an associate | **88,631** | 293,503 |
| Net surplus on revaluation of investment properties | **194,051** | 4,800 |
| Gain on losing control of subsidiaries | **–** | 60,384 |
| Gain on disposal of property, plant and equipment | **220** | – |
| Gain on disposal of investment properties | **600** | 360 |
| Reversal of impairment loss on debtors, deposits and prepayments | **–** | 5,657 |
| Reversal of impairment loss on advances to customer | **3,670** | – |
| Net exchange loss | **(15,476)** | (33,929) |
| Others | **107,612** | 93,592 |
| | **3,052,256** | 3,761,710 |

## 4. INCOME TAX

The provision for Hong Kong profits tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is calculated at the appropriate current rates of taxation in the relevant jurisdictions.

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

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Continuing operations** | | |
| Current taxation | | |
| – Hong Kong profits tax | **46,426** | 97,574 |
| – Overseas taxation | **247,384** | 660,422 |
| – Over provision of taxation in prior years | **(177,597)** | (182,274) |
| Deferred taxation | | |
| – Deferred taxation relating to the origination and reversal of temporary differences | **263,886** | 277,775 |
| Income tax | **380,099** | 853,497 |

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

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Continuing operations** | | |
| Profit before taxation | **3,384,288** | 4,937,955 |
| Calculated at the rates applicable to profits in the tax jurisdictions concerned | **743,400** | 893,953 |
| Tax effect of income not subject to taxation | **(619,501)** | (283,917) |
| Tax effect of expenses not deductible for taxation purposes | **370,861** | 221,103 |
| Tax effect of utilisation of previously unrecognised losses | **(30,747)** | (1,816) |
| Tax effect of tax losses and other deductible temporary differences not recognised | **93,683** | 206,448 |
| Over provision of taxation in prior years | **(177,597)** | (182,274) |
| Income tax | **380,099** | 853,497 |

## 5. DISCONTINUED OPERATIONS

On 5 May 2018, the Group acquired an associate with 22.4% equity interests with a view to hold it for resale within one year. The Group has disposed a part of the equity interest during the year ended 31 December 2018. The aforesaid investee is a developer, manufacturer and marketer of medical devices . As at 31 December 2018, the carrying amount of the equity interest is HK$738,244,000.

As at 31 December 2018, the Group classified the above investment as an asset held for sale. The above equity interest meets the criteria to be classified as held for sale on acquisition in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The equity interest was exempted from using equity method. It was measured at the lower of carrying amount and fair value less costs to sell.

As at 31 December 2017, the Group classified equity interest in Tirana International Airport SHPK and Everbright Overseas Infrastructure Investment Fund LP ("EBOIIF") as disposal group held for sale, with a view to hold them for resale within one year. On 20 March 2018, due to change in governing structure in EBOIIF, the Group had lost its control in EBOIIF. Consequently, the Group deconsolidated its interest in EBOIIF from the Group and reclassified the investment as a financial asset at fair value through profit or loss.

## 6. DIVIDENDS

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

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| – Interim dividend declared and paid of HK$0.26 (2017: HK$0.25) per share | **438,166** | 421,313 |
| – Final dividend proposed after the end of the reporting period date of HK$0.4 (2017: HK$0.6) per share | **674,101** | 1,011,152 |
| | **1,112,267** | 1,432,465 |

The Board of Directors proposed a final dividend of HK$0.4 per share for the year ended 31 December 2018 (2017: HK$0.6 per share). The proposed final dividend is not reflected as dividend payable in the financial statements.

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

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| – Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.6 (2017: HK$0.5) per share | **1,011,152** | 842,627 |

## 7. EARNINGS PER SHARE

### Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the year ended 31 December 2018 is based on the profit attributable to equity shareholders of the Company for continuing and discontinued operations of HK$3,097,142,000 and HK$6,775,000 respectively (2017: for continuing and discontinued operations of HK$3,940,738,000 and HK$207,604,000 respectively) and the weighted average number of 1,685,253,712 shares (2017: 1,685,253,712 shares) in issue during the year.

## 8. INVESTMENTS IN ASSOCIATES

### (a) Investments in associates

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Share of net assets | **16,320,768** | 18,176,492 |
| Goodwill | **1,565,958** | 1,576,762 |
| | **17,886,726** | 19,753,254 |
| Market value of shares listed in mainland China | **11,864,929** | 22,531,687 |
| Market value of shares listed in Hong Kong | **1,821,704** | 1,857,179 |

**(b) As at 31 December 2018, particulars of the principal associates of the Group are as follows:**

| Name of associate | Place of incorporation/ operation | Principal activities | Percentage of equity interest held by the Company |
|---|---|---|---|
| Everbright Securities Company Limited# ("Everbright Securities") | The PRC | Securities operations *(note 1)* | 21.30% *(note 2)* |
| China Aircraft Leasing Group Holdings Limited## ("CALGH") | Cayman Islands | Investment holding *(note 3)* | 34.05%* *(note 4)* |
| 光大嘉寶股份有限公司### ("Jiabao Group") | The PRC | Real estate development/ real estate asset management *(note 5)* | 29.17%* |

\# Market value of the listed shares in mainland China as at 31 December 2018 was equivalent to HK$9,713,694,000 (2017: HK$17,032,571,000).

\## Market value of the listed shares in Hong Kong as at 31 December 2018 was HK$1,821,704,000 (2017: HK$1,857,179,000).

\### Market value of the listed shares in mainland China as at 31 December 2018 was equivalent to HK$2,151,235,000 (2017: HK$5,499,116,000).

* Held indirectly

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

*Note 2:* The Group's equity interest decreased from 23.30% to 21.30% during the year due to partial disposal of the shares of Everbright Securities. A realised gain on that partial disposal of associates amounting to HK$88,631,000 was recognised in the consolidated statement of profit or loss.

*Note 3:* CALGH is an associate of the Group to capture multiple opportunities along the aircraft value chain arising from the rapid growth of the aviation industry. CALGH's lease offerings are complemented by fleet planning consultation, structured leasing, aircraft trading and re-marketing and aircraft disassembly.

*Note 4:* The Group's equity interest increase from 33.56% to 34.05% during the year due to acquisition of the shares of CALGH.

*Note 5:* Jiabao Group is the Group's strategic industry investment to capitalise on the growth of real estate development and asset management in mainland China.

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

## 9. INVESTMENTS IN JOINT VENTURES

### (a) Investments in joint ventures

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Carrying value, net | **1,167,987** | 916,208 |

### (b) As at 31 December 2018, details of the Group's principal investments in joint ventures are as follows:

| **Name of joint venture** | **Place of incorporation/ operation** | **Principal activities** | **Particulars of issued capital** | **Percentage of equity interest held by the Company** |
|---|---|---|---|---|
| Everbright Guolian Capital Company Limited | The PRC | Venture capital and investment advisory services *(note 1)* | RMB220,000,000 | 50.0%* |
| 山東高速光控產業投資基金管理有限公司 | The PRC | Fund management services *(note 2)* | RMB200,000,000 | 48.0%* |
| 首譽光控資產管理有限公司 | The PRC | Assets management service *(note 3)* | RMB960,000,000 | 49.0%* |

* Held indirectly

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

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

*Note 3:* 首譽光控資產管理有限公司 is a joint venture of the Group to provide assets management service to an industrial sector investment fund in mainland China.

All of the above joint ventures are unlisted corporate entities whose quoted market prices were not available as at 31 December 2018. They are accounted for using the equity method in the consolidated financial statements.

## 10. AVAILABLE-FOR-SALE SECURITIES

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| At fair value: | | |
| Listed equity securities | | |
| – in Hong Kong | **–** | 346,808 |
| – outside Hong Kong | **–** | 9,371,810 |
| Unlisted equity securities/collective investment schemes | | |
| – outside Hong Kong | **–** | 2,478,237 |
| | **–** | 12,196,855 |

As at 31 December 2017, the Group's investments in listed equity securities with fair values of HK$1,304,625,000 were subject to a lock-up provision and such investments were classified as Level 3 of the fair value hierarchy.

As at 31 December 2017, certain of the Group's available-for-sale equity securities were individually determined to be impaired on the basis of a significant or prolonged decline in their fair value below cost. Impairment losses of HK$203,247,000 were charged to the consolidated statement of profit or loss.

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Fair value of available-for-sale securities that were individually determined to be impaired as at 31 December: | | |
| Listed equity securities | | |
| – in Hong Kong | **–** | 346,808 |
| – outside Hong Kong | **–** | 470,132 |
| Unlisted equity securities | **–** | 461,187 |
| | **–** | 1,278,127 |

## 11. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At fair value: | | |
| Listed equity securities | | |
| – outside Hong Kong | **6,561,759** | – |

At 1 January 2018, the Group designated the investment in China Everbright Bank Company Limited ("China Everbright Bank") at fair value through other comprehensive income because the Group intends to hold for the long-term strategic purposes. In 2017, this investment was classified as available-for-sale securities.

No strategic investment was disposed of during the year ended 31 December 2018, and there were no transfers of any cumulative gain or loss within equity relating to this investment.

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Non-current assets** | | |
| At fair value: | | |
| Listed equity securities | | |
| – in Hong Kong | **954,610** | – |
| – outside Hong Kong | **1,871,311** | 509,407 |
| Unlisted equity securities/collective investment schemes (i) | | |
| – outside Hong Kong | **28,224,626** | 20,320,306 |
| Unlisted convertible preference shares (i) | | |
| – outside Hong Kong | **4,628,940** | 2,008,098 |
| Unlisted debt securities (i) | | |
| – outside Hong Kong | **511,231** | 1,867,744 |
| | **36,190,718** | 24,705,555 |
| **Current assets** | | |
| At fair value: | | |
| Unlisted equity securities/collective investment schemes (i) | | |
| – outside Hong Kong | **648,053** | – |
| Unlisted debt securities (i) | | |
| – outside Hong Kong | **722,950** | – |
| | **1,371,003** | – |

(i) Classified as Level 3 in the fair value hierarchy.

As at 31 December 2018, the Group's listed and unlisted equity securities amounting to a fair value of HK$23,793,377,000 (2017: HK$15,796,778,000) were investments in associates and joint ventures. The Group was exempted from applying the equity method to these investments and they were measured as financial assets at fair value through profit or loss.

As at 31 December 2017, balances of HK$187,276,000 were amounts due from investee companies which were associates recognised as financial assets at fair value through profit or loss. The amounts due from these investee companies are unsecured, interest free and have no fixed terms of repayment.

At 1 January 2018, the Group classified the amounts due from investee companies as financial assets at fair value through profit or loss because the amounts that the contractual terms of the financial asset give rise on specified dates to cash flows are not solely payments of principal and interest on the principal amount outstanding.

## 13. ADVANCES TO CUSTOMERS

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Non-current assets** | | |
| Term loans to customers | | |
| – secured | **1,190,984** | – |
| – unsecured | **20,924** | – |
| | **1,211,908** | – |
| **Current assets** | | |
| Term loans to customers | | |
| – secured | **968,180** | 2,501,551 |
| Less: impairment allowance | **(77,251)** | (80,921) |
| | **890,929** | 2,420,630 |
| – unsecured | **95,975** | 1,929,982 |
| | **986,904** | 4,350,612 |

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

Movements in the impairment allowance for term loans to customers are as follows:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| As at 1 January | **80,921** | 43,316 |
| Impairment loss, net | **(3,670)** | 37,605 |
| As at 31 December | **77,251** | 80,921 |

Except for the above impairment allowance of HK$77,251,000 (2017: HK$80,921,000), there were no other significant receivables, that were aged, requiring impairment provision as of 31 December 2018 and 2017.

## 14. DEBTORS, DEPOSITS AND PREPAYMENTS

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Accounts receivable, net | **412,684** | 364,663 |
| Deposits, prepayments, interest and other receivables | **890,682** | 1,073,879 |
| | **1,303,366** | 1,438,542 |
| Less: impairment allowance | **(68,478)** | (44,774) |
| | **1,234,888** | 1,393,768 |

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

The carrying amount of debtors, deposits and prepayments approximated to their fair value as at 31 December 2018 and 31 December 2017.

Their recoverability was assessed with reference to the credit status of the debtors, and impairment allowance of HK$68,478,000 (2017: HK$44,774,000) was provided as at 31 December 2018.

Movements in the impairment allowance for debtors, deposits and prepayments are as follows:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| As at 1 January | **44,774** | 11,052 |
| Impairment loss, net | **23,704** | 33,722 |
| As at 31 December | **68,478** | 44,774 |

## 15. BANK LOANS

As at 31 December 2018 and 2017, the bank loans were unsecured.

Repayment details are as follows:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 1 year | **3,501,739** | 2,611,257 |
| After 1 year but within 5 years | **10,684,234** | 9,374,977 |
| | **14,185,973** | 11,986,234 |

## 16. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Creditors, deposits received and accrued charges | **3,314,280** | 2,208,123 |

As at 31 December 2018 and 2017, creditors, deposits received and accrued charges included bonuses payable to staff.

## 17. BONDS PAYABLE

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| As at 1 January | **12,414,675** | 8,998,400 |
| Issued during the year | **–** | 2,955,875 |
| Exchange rate adjustments | **(574,665)** | 460,400 |
| As at 31 December | **11,840,010** | 12,414,675 |
| Current liabilities | **3,382,860** | – |
| Non-current liabilities | **8,457,150** | 12,414,675 |
| | **11,840,010** | 12,414,675 |

## 18. SHARE CAPITAL

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **No. of shares ('000)** | **HK$'000** | No. of shares ('000) | HK$'000 |
| **Ordinary shares issued and fully paid:** | | | | |
| At 1 January and at 31 December | **1,685,254** | **9,618,097** | 1,685,254 | 9,618,097 |

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

## 19. MATURITY PROFILE

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

As at 31 December 2018

| | Indefinite HK$'000 | On demand HK$'000 | Less than 3 months HK$'000 | 3 to less than 12 months HK$'000 | 1 to 5 years HK$'000 | Over 5 years HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| – Advances to customers | 5,765 | 225,524 | 316,971 | 438,644 | 1,211,908 | – | 2,198,812 |
| – Trading securities | 423,609 | – | 1,150,084 | – | – | – | 1,573,693 |
| – Equity investments designated at fair value through other comprehensive income | 6,561,759 | – | – | – | – | – | 6,561,759 |
| – Financial assets at fair value through profit or loss | 34,708,983 | – | – | 1,371,003 | 1,481,735 | – | 37,561,721 |
| – Cash and cash equivalents | – | 6,740,229 | 123,673 | – | – | – | 6,863,902 |
| | 41,700,116 | 6,965,753 | 1,590,728 | 1,809,647 | 2,693,643 | – | 54,759,887 |
| **Liabilities** | | | | | | | |
| – Bank loans | – | – | – | (3,501,739) | (10,684,234) | – | (14,185,973) |
| – Other financial liabilities | (308,396) | – | – | (241,019) | (791,171) | (3,254,261) | (4,594,847) |
| – Trading securities | (127,620) | – | (8,692) | – | – | – | (136,312) |
| – Bonds payable | – | – | – | (3,382,860) | (6,765,720) | (1,691,430) | (11,840,010) |
| – Notes payable | – | (27,000) | – | – | (30,000) | – | (57,000) |
| | (436,016) | (27,000) | (8,692) | (7,125,618) | (18,271,125) | (4,945,691) | (30,814,142) |

As at 31 December 2017

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

## 20. SEGMENT INFORMATION

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

**Fund Management Business**

Fund management business refers that the Group raises funds from external investors and deploys the Group's seed capital into specific clients, applies its professional knowledge and experience to make investment decisions on the capital according to laws, regulations and the fund's prospectus, while seeking to maximise gains for investors. The fund management business is comprised of primary market investment, secondary market investment, Fund of Funds ("FoF") and Wealth Management.

- Primary market investment includes:

  – Private equity funds – investment in unlisted equity securities and/or equity derivatives with meaningful equity position for participating in the ongoing management of these companies, and with an ultimate objective of capital gain on investee's equity listing or through other exit channels;

  – Venture capital funds – invest primarily in companies at the start-up and development stage, or companies which are still in the business planning stage. The investment goal is to achieve a higher return assuming manageable and higher risk by providing investee companies with assistance in investment, financing, management and listing in order to enhance the development of such companies;

- Sector focus funds – focus specifically on long-term equity investment in specific industries or merger and acquisition opportunities. The investment areas include real estate, infrastructure, medical and healthcare, resources assets (including low carbon and new energy industries), manufacturing, technology, media and telecom ("TMT") as well as merger and acquisition opportunities;

- Mezzanine funds – focus on private equity investment, pre-IPO financing and structured financing for listed companies and major shareholders of listed companies. It uses foreign currencies and/or renminbi flexibly to fulfill the onshore and offshore financial needs of its target companies. The investment team follows clear, uncomplicated investment philosophies by adopting a conservative, diversified and flexible investment approach that aims for above-market returns on investment with below-average levels of business risk; and

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

• Secondary market investment – provides a diversified range of financial services, including asset management, investment management and investment advisory activities. Products include absolute return funds, bond funds and equity funds.

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

• Wealth Management – Everbright Prestige has become an important carrier and business platform for the Group's asset management business in mainland China. It engages in asset management for specific clients and other business activities authorised by the China Securities Regulatory Commission. The business can provide advisory services directly to specific customers including Qualified Foreign Institutional Investors ("QFII"), onshore insurance companies and other institutions which are set up and operate according to the law. Everbright Prestige demonstrate its value in four areas including assets under management contribution, product creation and design, distribution channels and client consolidation, and the creation of more "Everbright" synergy.

**Principal Investment**

The Group fully utilises its proprietary capital to achieve four goals: (1) invest in medium to long term business and industries with strategic value; (2) nurture investment teams and developing high quality financial products to promote and support fund management business; (3) invest in the Group's or external projects, funds or products to maximise returns within controlled risk levels and contribute to steady long-term revenue; (4) improve cash flow by treasury management. In addition, it also covers business to be reportable (including but not limited to the Group's investment in properties and other corporate activities).

**Strategic Investment**

This represents strategic investment in Everbright Securities and Everbright Bank.

**(a) Business segments**

**For the year ended 31 December 2018:**

| | Continuing operations | | | | | | | Discontinued operations | |
|---|---|---|---|---|---|---|---|---|---|
| | Fund Management Business | | | | | | | | |
| | Primary Market HK$'000 | Secondary Market HK$'000 | Fund of Funds HK$'000 | Wealth Management HK$'000 | Principal Investment HK$'000 | Strategic Investment HK$'000 | Reportable segments total HK$'000 | HK$'000 | Total HK$'000 |
| **INCOME** | | | | | | | | | |
| Operating income from external customers | 733,138 | 77,560 | 15,829 | – | 469,407 | 348,197 | 1,644,131 | – | 1,644,131 |
| Other net income from external customers | 1,025,074 | (73,933) | 127,394 | – | 1,885,090 | 88,631 | 3,052,256 | – | 3,052,256 |
| Total operating income and other net income | 1,758,212 | 3,627 | 143,223 | – | 2,354,497 | 436,828 | 4,696,387 | – | 4,696,387 |
| **RESULTS AND RECONCILIATION OF SEGMENT RESULTS** | | | | | | | | | |
| Segment results before non-controlling interests | 1,487,140 | (121,527) | 122,368 | – | 2,201,025 | 436,828 | 4,125,834 | 6,775 | 4,132,609 |
| Unallocated head office and corporate expenses | | | | | | | | | (1,442,528) |
| Share of profits less losses of associates | 154,064 | – | – | – | 369,893 | 59,893 | 583,850 | – | 583,850 |
| Share of profits less losses of joint ventures | 52,473 | – | – | 64,659 | – | – | 117,132 | – | 117,132 |
| Profit before taxation | | | | | | | | | 3,391,063 |
| Less: non-controlling interests | 115,793 | 4,104 | – | – | (26,944) | – | 92,953 | – | |
| Segment results | 1,809,470 | (117,423) | 122,368 | 64,659 | 2,543,974 | 496,721 | 4,919,769 | 6,775 | |

For the year ended 31 December 2017:

| | Continuing operations | | | | | | | Discontinued operations | |
|---|---|---|---|---|---|---|---|---|---|
| | Fund Management Business | | | | | | | | |
| | Primary Market HK$'000 | Secondary Market HK$'000 | Fund of Funds HK$'000 | Wealth Management HK$'000 | Principal Investment HK$'000 | Strategic Investment HK$'000 | Reportable segments total HK$'000 | HK$'000 | Total HK$'000 |
| **INCOME** | | | | | | | | | |
| Operating income from external customers | 711,121 | 563,417 | 12,337 | – | 305,083 | 174,997 | 1,766,955 | – | 1,766,955 |
| Other net income from external customers | 1,526,138 | 20,181 | – | – | 1,921,888 | 293,503 | 3,761,710 | – | 3,761,710 |
| Total operating income and other net income | 2,237,259 | 583,598 | 12,337 | – | 2,226,971 | 468,500 | 5,528,665 | – | 5,528,665 |
| **RESULTS AND RECONCILIATION OF SEGMENT RESULTS** | | | | | | | | | |
| Segment results before non-controlling interests | 1,864,696 | 509,498 | 7,519 | – | 1,936,696 | 396,880 | 4,715,289 | 207,604 | 4,922,893 |
| Unallocated head office and corporate expenses | | | | | | | | | (1,149,808) |
| Share of profits less losses of associates | 87,538 | – | – | 7,541 | 370,086 | 835,291 | 1,300,456 | – | 1,300,456 |
| Share of profits less losses of joint ventures | 706 | – | – | 71,312 | – | – | 72,018 | – | 72,018 |
| Profit before taxation | | | | | | | | | 5,145,559 |
| Less: non-controlling interests | (150,766) | (9,843) | – | – | 16,889 | – | (143,720) | – | |
| Segment results | 1,802,174 | 499,655 | 7,519 | 78,853 | 2,323,671 | 1,232,171 | 5,944,043 | 207,604 | |

### Other Information

### As at 31 December 2018

| | Continuing operations | | | | | | | Discontinued operations | |
|---|---|---|---|---|---|---|---|---|---|
| | Fund Management Business | | | | | | | | |
| | Primary Market HK$'000 | Secondary Market HK$'000 | Fund of Funds HK$'000 | Wealth Management HK$'000 | Principal Investment HK$'000 | Strategic Investment HK$'000 | Reportable segments total HK$'000 | HK$'000 | Total HK$'000 |
| Segment assets | 28,718,471 | 3,850,091 | 1,407,110 | – | 16,506,384 | 6,561,759 | 57,043,815 | 738,244 | 57,782,059 |
| Investments in associates | 3,700,771 | – | – | – | 2,709,061 | 11,476,894 | 17,886,726 | – | 17,886,726 |
| Investments in joint ventures | 356,347 | – | – | 811,640 | – | – | 1,167,987 | – | 1,167,987 |
| Unallocated head office and corporate assets | | | | | | | | | 423,992 |
| Total assets | | | | | | | | | 77,260,764 |
| Segment liabilities | 6,338,241 | 406,743 | – | – | 840,283 | – | 7,585,267 | – | 7,585,267 |
| Unallocated head office and corporate liabilities | | | | | | | | | 26,543,155 |
| Provision for taxation | | | | | | | | | 336,563 |
| Deferred tax liabilities | | | | | | | | | 1,415,582 |
| Total liabilities | | | | | | | | | 35,880,567 |

### As at 31 December 2017

| | Continuing operations | | | | | | | Discontinued operations | |
|---|---|---|---|---|---|---|---|---|---|
| | Fund Management Business | | | | | | | | |
| | Primary Market HK$'000 | Secondary Market HK$'000 | Fund of Funds HK$'000 | Wealth Management HK$'000 | Principal Investment HK$'000 | Strategic Investment HK$'000 | Reportable segments total HK$'000 | HK$'000 | Total HK$'000 |
| Segment assets | 20,016,634 | 4,151,247 | 670,232 | – | 18,263,195 | 7,512,478 | 50,613,786 | 908,948 | 51,522,734 |
| Investments in associates | 3,786,466 | – | – | – | 2,423,899 | 13,542,889 | 19,753,254 | – | 19,753,254 |
| Investments in joint ventures | 325,551 | – | – | 590,657 | – | – | 916,208 | – | 916,208 |
| Amounts due from investee companies | 155,044 | – | – | – | 32,232 | – | 187,276 | – | 187,276 |
| Finance lease receivables | – | – | – | – | 21,374 | – | 21,374 | – | 21,374 |
| Unallocated head office and corporate assets | | | | | | | | | 517,425 |
| Total assets | | | | | | | | | 72,918,271 |
| Segment liabilities | 2,295,114 | 538,808 | – | – | 621,423 | – | 3,455,345 | 426,502 | 3,881,847 |
| Unallocated head office and corporate liabilities | | | | | | | | | 24,871,064 |
| Provision for taxation | | | | | | | | | 667,116 |
| Deferred tax liabilities | | | | | | | | | 1,153,249 |
| Total liabilities | | | | | | | | | 30,573,276 |

### (b) Geographical segments

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and investment properties, interests in associates and joint ventures ("Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the Specified non-current assets is based on the physical locations of the asset. For interests in associates and joint ventures, the geographical location is based on the locations of operations.

| | **For the year ended 31 December 2018** | | | For the year ended 31 December 2017 | | |
|---|---|---|---|---|---|---|
| | **Hong Kong** | **Mainland China** | **Total** | Hong Kong | Mainland China | Total |
| | **HK$'000** | **HK$'000** | **HK$'000** | HK$'000 | HK$'000 | HK$'000 |
| Segment revenue | | | | | | |
| Operating income | **709,874** | **934,257** | **1,644,131** | 893,096 | 873,859 | 1,766,955 |
| Other net income | **923,206** | **2,129,050** | **3,052,256** | 660,997 | 3,100,713 | 3,761,710 |
| | **1,633,080** | **3,063,307** | **4,696,387** | 1,554,093 | 3,974,572 | 5,528,665 |

| | **For the year ended 31 December 2018** | | | For the year ended 31 December 2017 | | |
|---|---|---|---|---|---|---|
| | **Hong Kong** | **Mainland China** | **Total** | Hong Kong | Mainland China | Total |
| | **HK$'000** | **HK$'000** | **HK$'000** | HK$'000 | HK$'000 | HK$'000 |
| Specified non-current assets | **3,020,213** | **16,929,239** | **19,949,452** | 1,729,486 | 18,450,955 | 20,180,441 |

## 21. CONTINGENT LIABILITIES

### Corporate guarantee

| | *Note* | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|---|
| Guarantee given by the Company to financial institutions in respect of banking facilities granted to subsidiaries | *i* | **8,222,000** | 8,996,448 |

*Note:*

i. The Group's subsidiaries have utilised these banking facilities of HK$6,217,871,000 as at 31 December 2018 (2017: HK$8,186,260,000).

# MANAGEMENT DISCUSSION & ANALYSIS

## REVIEW AND ANALYSIS

### Macro-economic review

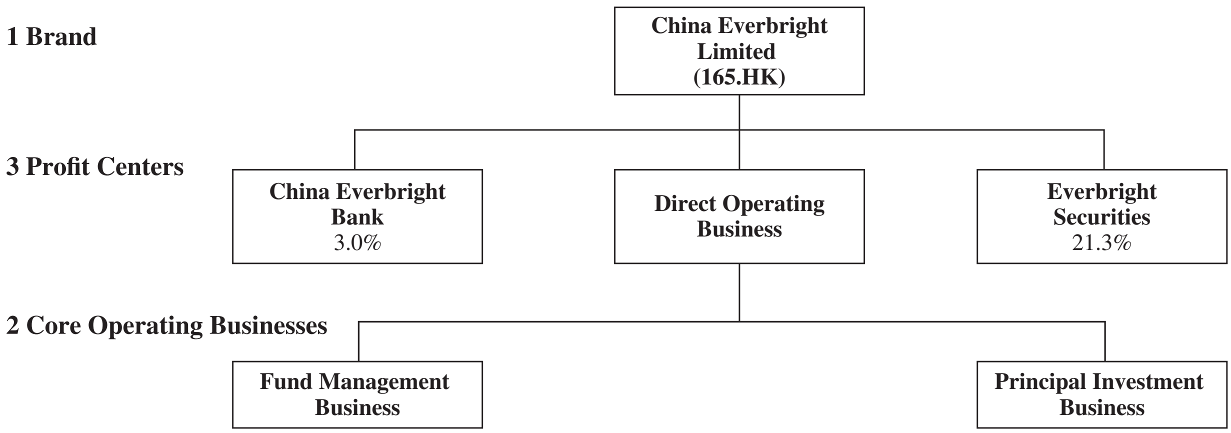
After enjoying rapid growth in 2017, the global economy experienced a tumultuous year in 2018. Despite starting on a strong note in 2018, the world economy was buffeted by escalating trade tensions between major economies, as well as increased political and economic uncertainties in some countries. This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

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

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

## Milestones in 2018

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




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

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

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

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

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

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

Company awards:

- "Top 30 Best PE Firm in China" by Forbes China, Zero2IPO, China Venture and China Bridge

- "The Most Influential Private Equity Investment Firm Top 10" and "Top 10 M&A Funds" by China Venture

- "The Best LP in China Top 20"and "The Best M&A Investment Firm in China Top 10" by China Bridge

CEL's CEO Chen Shuang attained :

- "China Top 100 Investors" for two consecutive years

- "The Best CEO" by Sina Finance

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

Awards attained by Investment teams:

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

- Everbright Prestige awarded the "Best Innovative Asset Management Firm Top 10" by Securities Times

- CEL Fund of Funds (FoF) team awarded "2018 Top 10 Market Funds (State-owned Category)" by China Venture Capital, "The Best FoF in China Top 10" by China Bridge

- The secondary market team won numerous awards at the Second Overseas Golden Bull Fund Awards, including "Three-Year Overseas Golden Bull Private Fund Company (Equity Long-only)" and "Three-Year Overseas Golden Bull Private Fund Company (Fixed Income)"

- Everbright China Focus Fund ranked in fourth place by BarclayHedge, a leading hedge fund research and rating firm, under the category "Emerging Markets (all asset class) – Asia" for its performance over the last three years

- Everbright Dynamic Bond Fund and Everbright China Focus Fund was awarded five awards in I&M Professional Investment Awards

- Everbright-IDG Industrial Fund awarded "Top 10 Investment Case Studies in the AI and Big Data Industry – SenseTime" and "Top 10 Investment Case Studies in China's Internet Industry – iQiyi" by China Venture

- Everbright Zhongying Capital awarded "Best Case Studies in Chinese advanced manufacturing and hi-tech industry Top 10 – XPENG MOTORS", "Best Case Studies in China Internet Industry Top 10 – Yonxinpai" by China Venture

- Everbright Overseas Infrastructure Investment Fund attained "The Best M&A Management Award" at the 11th China M&A Service Awards 2018, for the acquisition of Boreal Holding AS, a Norwegian public transport operator

## Operating Results

*Revenue*

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

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

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

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

**Major Income Items**

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

# Fee-related income

* Investment-related income

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

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

*Profit*

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

**Profit Attributable to Shareholders in Business Segments**

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

*Key financial ratios*

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

**Key Financial Ratios**

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

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

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

## 1. FUND MANAGEMENT BUSINESS

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

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

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

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

**Major Income of Fund Management**

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

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

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

| Fund business | Fund Type | Fund Name | Year of Launch | Investment Focus | Fundraising Scale |
|---|---|---|---|---|---|
| Primary Market Funds | Private equity funds | China Special Opportunities Fund II (CSOF II) | 2007 | Telecom, media, high-tech and consumer | US$100 M |
| | | China Special Opportunities Fund III (CSOF III) | 2010 | Agriculture, consumer goods, servicing and financial auxiliary | US$399 M |
| | Venture capital funds | Beijing Zhongguancun Industry Investment Fund | 2007 | High-growth manufacturing, hi-tech & servicing | RMB160 M |
| | | Everbright Jiangyin Asset Investment Fund | 2009 | High-growth industries | RMB260 M |
| | | Everbright Guolian Fund | 2009 | High-growth industries | RMB220 M |
| | Sector focused funds | EBA Real Estate | 2009 | China real estate | RMB47.9 B |
| | | Everbright Medical and Healthcare Fund I | 2012 | Healthcare industry | RMB600 M |
| | | Everbright Medical and Healthcare Fund II | 2015 | Healthcare industry | RMB1.2 B |
| | | Everbright Medical and Healthcare Fund III* | 2018 | Healthcare industry | RMB805 M |
| | | Everbright Jiangsu New Energy (Low Carbon) Fund | 2011 | New materials, environmental protection and energy saving | RMB100 M |
| | | Everbright Qingdao New Energy (Low Carbon) Fund | 2013 | New materials, environmental protection and energy saving | RMB650 M |
| | | Everbright Zhengzhou Fund | 2016 | High-growth industries | RMB2 B |
| | | Shandong Hi-Speed Everbright Industrial Fund | 2014 | Municipal services, environmental protection, clean energy | RMB1.8 B |

| Fund business | Fund Type | Fund Name | Year of Launch | Investment Focus | Fundraising Scale |
|---|---|---|---|---|---|
| | | Everbright-IDG Industrial Fund (IDG-Everbright M&A Investment Fund) | 2016 | Investment opportunities in sub-sector leaders | RMB10.1 B |
| | | Harmonious Core Fund | 2016 | Investment opportunities in sub-sector leaders | RMB2.76 B |
| | | Harmonious Bright Core Fund | 2016 | Investment opportunities in sub-sector leaders | RMB1.39 B |
| | | Everbright Zhongying Capital | 2016 | Pan-entertainment | RMB1.63 B |
| | | CEL Haimen Health and Pension Industry Investment Fund | 2017 | Pension Industry | RMB500 M |
| | | CEL Intelligent Manufacturing Equity Investment Fund | 2017 | Intelligent Manufacturing Industry | RMB520 M |
| | | CEL Smart Entertainment Industry Investment Fund* | 2017 | Pan-entertainment | RMB360 M |
| | | Everbright-IDG Hongsheng Investment Fund* | 2017 | Investment opportunities in sub-sector leaders | RMB500 M |
| | | Everbright-IDG Qianxing Investment Fund* | 2017 | Investment opportunities in sub-sector leaders | RMB97 M |
| | | CEL-iQiyi Cultural Equity Investment Fund* | 2018 | Pan-entertainment | RMB520 M |
| | | Everbright Haiyin Fund* | 2018 | Advance technology, AI, robotics | RMB1.05 B |
| | | Everbright Nantong Semiconductor Investment Fund* | 2018 | Semi-conductor Industry | RMB500 M |

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

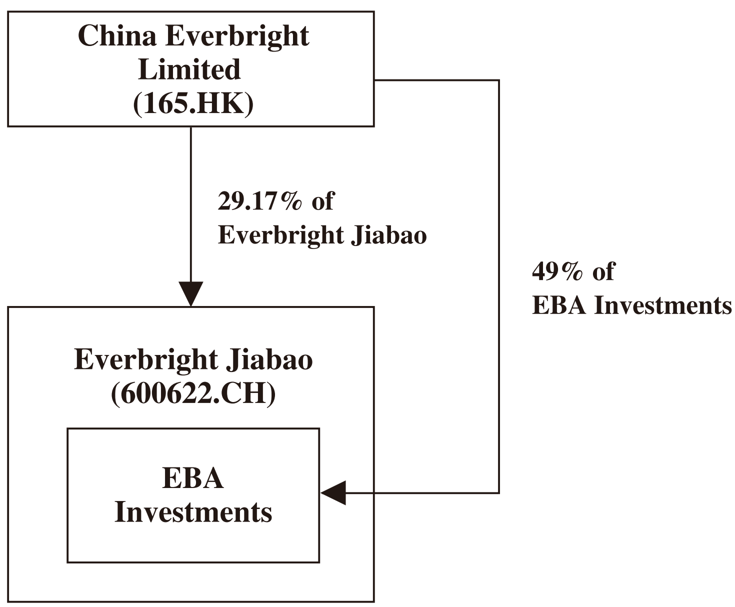
*: New-added funds under management that generate earnings during the period under review

### 1.1 Primary Market Funds

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 1.2 Secondary Market Funds and Portfolios

As at 31 December 2018, CEL's secondary market platform managed 26 funds and accounts with total AUM (*Note 9*) of HK$18.0 billion. During the period under review, CEL's secondary market team achieved above-market returns with a net inflow of external investors' funds amounting to HK$2.39 billion and received numerous awards and nominations amid challenging market conditions. As at 31 December 2018, Everbright Dynamic Bond Fund, the flagship Asian USD-denominated bond fund managed by the fixed income team, had reached a fund size of US$543 million, representing an increase of 33.9% year-on-year. During the year under review, it achieved net of fees USD returns of -4.0% and performed in line with the market bond index (China High Yield Bond Index was -3.5% in the same period). Launched in December 2012, the fund has since delivered a net USD return of 51.35%, with an annualised return of 7.1%. The team continued to successfully carry out external fundraising activities for Everbright Dynamic Bond Fund and Everbright Convertible Opportunities Fund, bringing in numerous new overseas and domestic institutional clients to the company. As at 31 December 2018, Everbright Convertible Opportunities Fund had reached a fund size of US$80 million, an increase of 109% year-on-year. During the period under review, Everbright Dynamic Bond Fund received numerous recognitions, including China Securities Journal's "Three-Year Overseas Golden Bull Private Fund Company (Fixed Income)" award, Insights & Mandates' "Best Hedge Fund Manager" award, Wall Street Traders Platform's "Best Chinese Offshore Fixed Income Private Fund" award, and a nomination for EurekaHedge's "Best Asian Fixed Income Fund" category. In addition, working with Everbright Sun Hung Kai, the secondary market team successfully launched the Group's first public fund, the Everbright Income Focus Fund. This introduced large domestic insurance groups as cornerstone investors and further enriched the range of fixed income product offerings during the period under review.

*Note 9:* Refers to funds' net asset value

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

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

### 1.3 Fund of Funds ("FoF")

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

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

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

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

### 1.4 Wealth Management

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

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

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

## 2. PRINCIPAL INVESTMENT BUSINESS

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

**Principal Investment Category**
*in HK$ billion*

| | **2018** |
|---|---|
| Strategic industry investment | 3.10 |
| Proprietary investment | 15.00 |
| Fund incubator investment | 0.70 |
| Treasury management | 0.33 |

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

**Major Income of Principal Investment**

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

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

1. Strategic industry investments:

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

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

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

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

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

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

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

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

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

## 3. STRATEGIC INVESTMENT

### Everbright Securities

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

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

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

### China Everbright Bank

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

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

## OUTLOOK

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

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

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

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

## FINANCIAL POSITION

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

## FINANCIAL RESOURCES

The Group adopts a prudent approach to cash and financial management to ensure proper risk control and low cost funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 31 December 2018, the Group had cash and bank balances of HK$6.9 billion, increased by HK$1.7 billion compared with the end of 2017. Currently, most of the Group's cash, representing 89.8%, is denominated in Hong Kong dollars and Renminbi.

## BORROWING

The Group will review and ensure sufficient banking facilities to reserve resources to support its business development. As at 31 December 2018, the Group had banking facilities of HK$20.93 billion, of which HK$6.74 billion had not been utilised. The banking facilities were of 1 to 5 years terms. The Group had outstanding bank loan of HK$14.19 billion, increased by 18.3% compared with the end of 2017. All the outstanding bank loans were unsecured as at 31 December 2018. The Group had issued corporated bonds with outstanding principal amount of RMB10.5 billion. The interest-bearing borrowings were mainly denominated in Renminbi, representing about 51% of the total, and the remaining were mainly denominated in US and Hong Kong dollars.

## PLEDGE OF ASSETS

As at 31 December 2018, no fixed deposits were pledged to secure banking facilities. Pursuant to the prime brokerage agreements entered with the prime brokers of a fund held by the Group, cash and securities deposited with the prime brokers were secured against liabilities to the prime brokers. As at 31 December 2018, assets deposited with the prime brokers included HK$1,215 million and HK$2 million which formed part of the Group trading securities and debtors respectively.

## FINANCIAL INSTRUMENTS

Risk management is of fundamental importance to the business operation of the Group. The major types of risk inherent in the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The Group's risk management objective is to maximise shareholders' value and to reduce volatility in earnings while maintaining risk exposures within acceptable limits.

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

### (a) Credit risk

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

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

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

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

The Group has well defined policies in place on the setting and approval of trading, credit and investment position limits in order to manage its credit risk exposure and concentration. As at the end of the reporting period, the Group did not have a significant concentration of credit risk.

The maximum exposure to credit risk without taking into account any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, at the end of the reporting period, deducting any impairment allowance.

**(b) Liquidity risk**

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

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

**(c) Interest rate risk**

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

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

The Group is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In respect of the Group's interest-bearing financial instruments, the Group's policy is to mainly transact in financial instruments that mature or reprice in the short to medium term. Accordingly, the Group would be subject to limited exposure to fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

**(d) Currency risk**

The Group's exposure to currency risk primarily stems from holdings of monetary assets and liabilities denominated in foreign currencies, other than Hong Kong dollars and net investment in foreign operations. As most of the Group's monetary assets and liabilities and net investment in foreign operations are denominated in Hong Kong dollars, Renminbi, United States dollars and Singapore dollars, management is aware of the likely increase in volatility in these currencies and takes a balanced view when considering the management of currency risk.

Overall, the Group monitors its currency exposure closely and would consider hedging significant currency exposure should the need arise.

**(e) Equity price risk**

The Group is exposed to equity price changes arising from equity investments classified as, equity investments designated at fair value through other comprehensive income (see note 11) and financial assets at fair value through profit or loss (see note 12). Other than unlisted securities held for medium to long-term strategic purposes, all of these investments are listed.

The Group's investments in listed equity instruments are mainly listed on the Stock Exchange of Hong Kong, the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Decisions to buy or sell trading securities rest with assigned investment team professionals and each investment portfolio is governed by specific investment and risk management guidelines. Independent daily monitoring of each portfolio against the corresponding guidelines is carried out by the Risk Management Department. Listed equity instruments held in the equity in investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss portfolio have been chosen based on their medium to long-term growth potential and are monitored regularly for performance against expectations.

## CONTINGENT LIABILITIES

As at 31 December 2018, the Company issued financial guarantees to 2 subsidiaries. The Board does not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 31 December 2018 for the provision of the guarantees related to the facilities utilised by the subsidiaries was HK$6,218 million.

## EMPLOYEES

As at 31 December 2018, the Group had 359 employees. Total staff costs for the period under review amounted to approximately HK$551 million as presented in the consolidated income statement. The Group ensures that the remuneration packages for employees are fair and competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Discretionary year end bonus may also be paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme and training programmes.

## SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

## FINAL DIVIDEND

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

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

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 17 May 2019 to Thursday, 23 May 2019, both days inclusive, during which no transfer of shares will be registered. Shareholders are reminded that, in order to qualify for attendance of the annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration at the Company's Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 16 May 2019.

The register of members of the Company will also be closed on Monday, 10 June 2019 and Tuesday, 11 June 2019, during which no transfer of shares will be registered. Shareholders are reminded that, in order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration at the Company's Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 6 June 2019.

## ANNUAL GENERAL MEETING

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## CORPORATE GOVERNANCE

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

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

The Board would like to confirm that, subsequent to careful examination and review, the Company has complied with all code provisions of the CG Code for the year ended 31 December 2018.

Details of the Company's implementation of its corporate governance practices will be reported and disclosed in the Company's Annual Report 2018.

## MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a "Code for Securities Transactions by Directors and Relevant Employees" (the "Code") which is no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors, all Directors confirmed that they have complied with the required standard of dealings set out in both the Code and the Model Code for the year ended 31 December 2018.

## AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee currently comprises Dr. Chung Shui Ming, Timpson, Dr. Lin Zhijun and Mr. Law Cheuk Kin, Stephen. The Committee is chaired by Dr. Chung Shui Ming, Timpson. All members of the Committee are independent non-executive Directors.

The Audit and Risk Management Committee and the management have reviewed the accounting policies and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the financial statements of the Group for the year ended 31 December 2018.

The Committee is also responsible for providing oversight of the Company's risk management programs, and reviewing the effectiveness of management's processes for identifying, assessing, mitigating and monitoring enterprise-wide risks.

## NOMINATION COMMITTEE

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

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

## REMUNERATION COMMITTEE

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

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

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

Hong Kong, 28 March 2019

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

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

*Independent Non-executive Directors*
Dr. Lin Zhijun
Dr. Chung Shui Ming, Timpson
Mr. Law Chuek Kin, Stephen