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**光大控股**  
EVERBRIGHT LIMITED

**CHINA EVERBRIGHT LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 165)**

**ANNOUNCEMENT  
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020**

The board of directors (the “Board” or the “Director(s)”) of China Everbright Limited (the “Company” or “CEL”) is pleased to announce that the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2020 together with relevant comparative figures for the previous year are as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 December 2020*

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Turnover	3	<b><u>22,682,402</u></b>	<u>12,617,142</u>
Income from contracts with customers	3	<b>540,419</b>	611,778
Income from investments	3	<b>4,337,695</b>	3,724,311
Income from other sources	3	<b>108,143</b>	270,254
Impairment losses		<b>(193,000)</b>	(238,990)
Operating expenses		<b><u>(1,132,230)</u></b>	<u>(1,351,798)</u>
Profit from operations		<b>3,661,027</b>	3,015,555
Finance costs		<b>(1,062,091)</b>	(1,164,915)
Share of profits less losses of associates	8	<b>563,020</b>	823,454
Share of profits less losses of joint ventures	9	<b><u>43,300</u></b>	<u>88,713</u>
Profit before taxation		<b>3,205,256</b>	2,762,807
Income tax	4	<b><u>(948,118)</u></b>	<u>(551,037)</u>
<b>Profit for the year</b>		<b><u>2,257,138</u></b>	<u>2,211,770</u>

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>2,264,175</b>	2,237,166
Holders of senior perpetual capital securities	<i>20</i>	<b>15,736</b>	–
Non-controlling interests		<b>(22,773)</b>	(25,396)
		<u><b>2,257,138</b></u>	<u>2,211,770</u>
<b>Profit for the year</b>			
		<u><b>2,257,138</b></u>	<u>2,211,770</u>
<b>Basic and diluted earnings per share</b>	<i>7</i>	<u><b>HK\$1.344</b></u>	<u>HK\$1.327</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

		2020	2019
	<i>Note</i>	HK\$'000	HK\$'000
<b>Profit for the year</b>		<b>2,257,138</b>	2,211,770
<b>Other comprehensive income for the year:</b>			
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		(286,780)	1,180,982
Items that may be reclassified subsequently to profit or loss			
– Share of other comprehensive income and effect of foreign currency translation of associates		893,234	(379,565)
– Share of other comprehensive income and effect of foreign currency translation of joint ventures		69,506	(14,288)
– Other net movement in exchange reserve		986,068	(236,874)
		<u>1,662,028</u>	<u>550,255</u>
<b>Total comprehensive income for the year</b>		<b><u>3,919,166</u></b>	<b><u>2,762,025</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		4,009,362	2,764,470
Holder of senior perpetual capital securities	20	15,736	–
Non-controlling interests		(105,932)	(2,445)
<b>Total comprehensive income for the year</b>		<b><u>3,919,166</u></b>	<b><u>2,762,025</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		31 December 2020	31 December 2019
	<i>Note</i>	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		599,783	624,120
Investment properties		5,547,897	5,190,773
Investments in associates	8	19,235,318	18,727,491
Investments in joint ventures	9	1,045,747	1,052,931
Equity investments designated at fair value through other comprehensive income	10	7,455,961	7,742,741
Financial assets at fair value through profit or loss	11	40,869,046	32,495,404
Advances to customers	12	34,297	983,281
Finance lease receivables		59,408	55,818
		<u>74,847,457</u>	<u>66,872,559</u>
<b>Current assets</b>			
Inventories	13	1,733,681	1,851,827
Financial assets at fair value through profit or loss	11	3,064,010	3,953,959
Advances to customers	12	2,140,516	1,942,258
Amount due from an associate	8	–	253,704
Debtors, deposits and prepayments	14	2,712,276	2,104,866
Trading securities		3,177,475	2,251,727
Cash and cash equivalents		9,299,385	7,265,583
		<u>22,127,343</u>	<u>19,623,924</u>
<b>Current liabilities</b>			
Trading securities		(666,014)	(283,150)
Creditors, deposits received and accrued charges	15	(3,385,568)	(3,147,425)
Bank loans	16	(9,493,274)	(9,577,956)
Bonds payable	17	(4,946,410)	(3,545,240)
Other financial liabilities		(736,440)	(98,320)
Notes payable		–	(57,000)
Lease liabilities		(32,027)	(46,266)
Provision for taxation		(926,832)	(863,137)
		<u>(20,186,565)</u>	<u>(17,618,494)</u>
<b>Net current assets</b>		<u>1,940,778</u>	<u>2,005,430</u>
<b>Total assets less current liabilities</b>		<u>76,788,235</u>	<u>68,877,989</u>

		<b>31 December 2020</b>	31 December 2019
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
<b>Non-current liabilities</b>			
Bank loans	16	<b>(9,415,374)</b>	(9,407,892)
Bonds payable	17	<b>(7,723,040)</b>	(8,372,625)
Other financial liabilities		<b>(7,448,750)</b>	(4,909,113)
Notes payable		<b>(27,000)</b>	–
Lease liabilities		<b>(73,802)</b>	(85,533)
Deferred tax liabilities		<b>(2,667,288)</b>	(2,315,456)
		<u><b>(27,355,254)</b></u>	<u>(25,090,619)</u>
<b>NET ASSETS</b>		<u><b>49,432,981</b></u>	<u>43,787,370</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	18	<b>9,618,097</b>	9,618,097
Reserves		<b>35,818,920</b>	31,973,228
<b>Total equity attributable to equity shareholders of the Company</b>		<b>45,437,017</b>	41,591,325
<b>Senior perpetual capital securities</b>	20	<b>2,341,276</b>	–
<b>Non-controlling interests</b>		<b>1,654,688</b>	2,196,045
<b>TOTAL EQUITY</b>		<u><b>49,432,981</b></u>	<u>43,787,370</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity shareholders of the Company								Senior perpetual capital securities	Non- controlling interests	Total equity
	Share capital	Option premium reserve	Investment revaluation reserve	Goodwill reserve	Capital reserve	Exchange reserve	Retained earnings	Total			
Note	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
As at 1 January 2019	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
Net movement by non-controlling shareholders	-	-	-	-	90,179	-	-	90,179	-	(711,608)	(621,429)
Dividends paid	6	-	-	-	-	-	(1,095,414)	(1,095,414)	-	-	(1,095,414)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	1,388,563	1,388,563
Share of capital reserve of an associate	-	-	-	-	(26,572)	-	-	(26,572)	-	-	(26,572)
Profit for the year	-	-	-	-	-	-	2,237,166	2,237,166	-	(25,396)	2,211,770
Other comprehensive income for the year	-	-	1,180,982	-	-	(653,678)	-	527,304	-	22,951	550,255
As at 31 December 2019 and as at 1 January 2020	<u>9,618,097</u>	<u>1,242</u>	<u>6,335,552</u>	<u>(668,499)</u>	<u>(557,671)</u>	<u>(938,926)</u>	<u>27,801,530</u>	<u>41,591,325</u>	-	<u>2,196,045</u>	<u>43,787,370</u>
Net movement by non-controlling shareholders	-	-	-	2,090	230,104	-	-	232,194	-	(435,425)	(203,231)
Dividends paid	6	-	-	-	-	-	(623,544)	(623,544)	-	-	(623,544)
Issuance of senior perpetual capital securities	20	-	-	-	-	-	-	-	2,325,540	-	2,325,540
Share of capital reserve of an associate	-	-	-	-	227,680	-	-	227,680	-	-	227,680
Profit for the year	-	-	-	-	-	-	2,264,175	2,264,175	15,736	(22,773)	2,257,138
Other comprehensive income for the year	-	-	(286,780)	-	-	2,031,967	-	1,745,187	-	(83,159)	1,662,028
As at 31 December 2020	<u>9,618,097</u>	<u>1,242</u>	<u>6,048,772</u>	<u>(666,409)</u>	<u>(99,887)</u>	<u>1,093,041</u>	<u>29,442,161</u>	<u>45,437,017</u>	<u>2,341,276</u>	<u>1,654,688</u>	<u>49,432,981</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000 (restated)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>63,107</b>	1,189,754
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(17,578)	(8,411)
Proceeds from disposal of investment properties	19,045	18,400
Proceeds from disposal of property, plant and equipment	594	152
Net cash inflow from losing control of subsidiaries	15,142	27,550
Net cash outflow from deemed disposal of a subsidiary	–	(51,474)
Net cash from acquisition of a subsidiary	–	25,155
Investments in associates	–	(94,876)
Repayment of loans from an associate	700,000	–
Proceeds from partial disposal of an associate	506,431	–
Divestments in joint ventures	34,243	86,517
Increase in restricted cash	(16,431)	(422,817)
Bank interest received	91,782	129,670
Dividends received from investments	365,877	295,173
Dividends received from associates and joint ventures	133,518	420,886
<b>NET CASH INFLOW FROM INVESTING ACTIVITIES</b>	<b>1,832,623</b>	425,925
<b>NET CASH INFLOW BEFORE FINANCING ACTIVITIES</b>	<b>1,895,730</b>	1,615,679

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
		(restated)
<b>FINANCING ACTIVITIES</b>		
Issue of shares in subsidiaries to non-controlling shareholders	<b>171,070</b>	73,573
Redemption of non-controlling shareholders' shares	<b>(283,459)</b>	(586,420)
Proceeds from bank loans	<b>31,042,977</b>	13,055,198
Proceeds from issue of bonds payable	–	196,190
Proceeds from issue of senior perpetual capital securities	<b>2,325,540</b>	–
Repayment of bank loans	<b>(31,309,021)</b>	(11,914,637)
Repayment of lease liabilities	<b>(52,978)</b>	(60,780)
Repayment of note payable	<b>(30,000)</b>	–
Dividends paid to non-controlling shareholders	<b>(89,318)</b>	(70,029)
Dividends paid	<b>(623,544)</b>	(1,095,414)
Interest paid	<b>(1,073,356)</b>	(1,132,855)
	<u>77,911</u>	<u>(1,535,174)</u>
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>		
	<b>77,911</b>	(1,535,174)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,973,641</b>	80,505
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<b>6,842,766</b>	6,863,902
Exchange rate adjustments	<b>43,730</b>	(101,641)
	<u>8,860,137</u>	<u>6,842,766</u>
End of year	<b>8,860,137</b>	6,842,766
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash – general accounts	<b>9,299,385</b>	7,265,583
Restricted cash	<b>(439,248)</b>	(422,817)
	<u>8,860,137</u>	<u>6,842,766</u>
End of year	<b>8,860,137</b>	6,842,766

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The financial report has been prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standard (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

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 2019 annual financial statements except for the changes in accounting policies described in note 2.

The financial information relating to the years ended 31 December 2020 and 2019 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 2019 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 2020 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 DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) and the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the Conceptual Framework and the revised HKFRSs are described below:

- (a) The Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

### 3. TURNOVER, INCOME FROM CONTRACTS WITH CUSTOMERS, INVESTMENTS AND OTHER SOURCES

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

Income from contracts with customers, investments and other sources recognised during the year is as follows:

	2020 HK\$'000	2019 HK\$'000
<b>Income from contracts with customers</b>		
Recognised over time		
Management fee income	295,568	371,284
Net rental income from investment properties	148,531	146,658
Recognised at a point of time		
Consultancy fee and performance fee income	120,527	72,551
Sales of inventories	76,038	132,867
Cost of sales	(100,245)	(111,582)
	<u>540,419</u>	<u>611,778</u>
<b>Income from investments</b>		
Interest income		
Financial assets not at fair value through profit or loss		
Bank deposits	91,782	129,670
Advances to customers	261,341	212,711
Debt investments	82,529	70,186
Dividend income		
Financial assets at fair value through profit or loss and trading securities	391,569	526,894
Equity investments designated at fair value through other comprehensive income	365,877	295,173
Realised gain on investments		
Net realised gain on financial assets at fair value through profit or loss	1,805,699	1,235,383
Net realised gain on trading securities	207,263	134,613
Unrealised gain on investments		
Change of unrealised gain on financial assets at fair value through profit or loss	702,631	225,589
Change of unrealised gain on trading securities	120,679	57,380
Others		
Realised gain on partial disposal of an associate	251,189	–
Gain on disposal of subsidiaries	57,136	23,125
Gain on deemed disposal of an investment in a subsidiary	–	194,229
Gain on bargain purchase	–	619,358
	<u>4,337,695</u>	<u>3,724,311</u>
<b>Income from other sources</b>		
Net (deficit)/surplus on revaluation of investment properties	(23,675)	122,463
Rental income from finance leases	6,450	6,214
Gain on disposal of investment properties	7,175	1,800
Gain on disposal of property, plant and equipment	140	6
Exchange loss, net	(5,318)	(20,838)
Others	123,371	160,609
	<u>108,143</u>	<u>270,254</u>

#### 4. INCOME TAX

The provision for Hong Kong profits tax is calculated at 16.5% (2019: 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:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Current taxation		
– Hong Kong profits tax	<b>148,290</b>	171,076
– Overseas taxation	<b>403,174</b>	328,181
– Overprovision in prior years	<b>(5,175)</b>	(112)
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	<b>401,829</b>	51,892
Income tax	<b>948,118</b>	551,037

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

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Profit before taxation	<b>3,205,256</b>	2,762,807
Calculated at the rates applicable to profits in the tax jurisdictions concerned	<b>619,213</b>	512,464
Tax effect of income not subject to taxation	<b>(504,427)</b>	(605,564)
Tax effect of expenses not deductible for taxation purposes	<b>651,771</b>	538,486
Tax effect of utilisation of previously unrecognised losses	<b>(4,730)</b>	(374)
Tax effect of tax losses and other deductible temporary differences not recognised	<b>191,466</b>	106,137
Overprovision of taxation in prior years	<b>(5,175)</b>	(112)
Income tax	<b>948,118</b>	551,037

## 5. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Net profit for the year of the Company attributable to equity shareholders of the Company of approximately HK\$786,294,000 (2019: approximately HK\$2,836,285,000) has been dealt with in the financial statements of the Company.

## 6. DIVIDENDS

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

	2020 HK\$'000	2019 HK\$'000
– Interim dividend declared and paid of HK\$0.14 (2019: HK\$0.25) per share	235,936	421,313
– Final dividend proposed after the end of the reporting period date of HK\$0.35 (2019: HK\$0.23) per share	<u>589,839</u>	<u>387,608</u>
	<u>825,775</u>	<u>808,921</u>

The Board proposed a final dividend of HK\$0.35 per share for the year ended 31 December 2020 (2019: HK\$0.23 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

	2020 HK\$'000	2019 HK\$'000
– Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.23 (2019: HK\$0.4) per share	<u>387,608</u>	<u>674,101</u>

## 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 2020 is based on the profit attributable to equity shareholders of the Company of HK\$2,264,175,000 (2019: HK\$2,237,166,000) and the weighted average number of 1,685,253,712 shares (2019: 1,685,253,712 shares) in issue during the year.

## 8. INVESTMENTS IN ASSOCIATES

### (a) Investments in associates

	2020 HK\$'000	2019 HK\$'000
Carrying value, net ( <i>note</i> )	<u>19,235,318</u>	<u>18,727,491</u>
Market value of shares listed in mainland China	<u>22,891,427</u>	16,268,972
Market value of shares listed in Hong Kong	<u>1,790,413</u>	<u>2,002,827</u>

#### *Note:*

As at 31 December 2020, the Group's carrying value of its investment in Everbright Jiabao Co., Ltd ("Jiabao Group"), an associate of the Group, amounted to HK\$4,069,036,000 (2019: HK\$3,963,063,000).

As at 31 December 2020, there was an indication that the investment in Jiabao Group may be impaired as the carrying value of the net assets of Jiabao Group was more than its market capitalisation.

The Group has engaged an external specialist to estimate its value-in-use, using a discounted cash flow model with a forecast compiled by management, and assessed the recoverable amount. During the year, the forecast was revised to take into account the changes in macroeconomic environment and its future growth. As at 31 December 2020, the recoverable amount was lower than the carrying value, hence, impairment loss on investment in an associate amounting to HK\$178,000,000 (2019: nil) was recognised during the year ended 31 December 2020.

The pre-tax discount rates applied in the cash flow projection of different key business operations of Jiabao Group ranged from 9% to 12% (2019: 9% to 12%) and the perpetual growth rate was 2.2% (2019: 3.0%).

### (b) As at 31 December 2020, 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 <sup>#</sup> ("Everbright Securities")	The PRC	Securities operations ( <i>note 1</i> )	20.83%
China Aircraft Leasing Group Holdings Limited <sup>##</sup> ("CALGH")	Cayman Islands	Investment holding ( <i>note 2</i> )	37.11%*
Jiabao Group <sup>###</sup>	The PRC	Real estate development/ real estate asset management ( <i>note 3</i> )	29.17%*
China Everbright Senior Healthcare Company Limited ("ESH")	Hong Kong	Providing senior health care services ( <i>note 4</i> )	49.29%* ( <i>note 5</i> )

- # Market value of the listed shares in mainland China as at 31 December 2020 was equivalent to HK\$21,134,810,000 (2019: HK\$14,364,606,000).
- ## Market value of the listed shares in Hong Kong as at 31 December 2020 was HK\$1,790,413,000 (2019: HK\$2,002,827,000).
- ### Market value of the listed shares in mainland China as at 31 December 2020 was equivalent to HK\$1,756,617,000 (2019: HK\$1,904,366,000).
- \* Held indirectly

*Note 1:* Everbright Securities is the Group's cornerstone investment to capitalise on the growth of securities markets in mainland China and Hong Kong, with an investment cost of HK\$1,504,118,000 (2019: HK\$1,538,313,000). During the year, the Group's equity interest in Everbright Securities was decreased from 21.30% to 20.83% as a result of partial disposal.

*Note 2:* CALGH is a strategic industry platform investment of the Group to capture multiple opportunities along the aircraft value chain arising from the rapid growth of aviation industry. CALGH's lease offerings are complemented by fleet planning consultation, structured leasing, aircraft trading and re-marketing and aircraft disassembly. During the year, the Group's equity interest in CALGH was increased from 35.67% to 37.11% as a result of acquisitions in secondary market and scrip dividend received.

*Note 3:* Jiabao Group is the Group's strategic industry investment to capitalise on the growth of real estate development and asset management in mainland China.

*Note 4:* ESH is the Group's strategic industry platform investment to provide integrated senior health care services including elderly health care, geriatric treatment, rehabilitation and community services in mainland China.

*Note 5:* As at 31 December 2020, the Group did not control the board of directors of ESH. Upon the completion of the administrative procedures of share subscription by an investor with investment amount of RMB50 million, the Group's equity interest in ESH stands at 49.29%.

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

As at 31 December 2019, amount due from an associate was unsecured, interest-bearing and repayable within one year. The amount was repaid during the year ended 31 December 2020.

## 9. INVESTMENTS IN JOINT VENTURES

### (a) Investments in joint ventures

	2020 HK\$'000	2019 HK\$'000
Carrying value, net	<u>1,045,747</u>	<u>1,052,931</u>

- (b) As at 31 December 2020, details of the Group's principal investments in joint ventures are mainly as follows:

Name of joint venture	Place of incorporation/ operation	Principal activities	Percentage of equity interest held by the Company
Wuxi Ronghong Guolian Capital Co., Ltd. (formerly known as Everbright Guolian Capital Co., Ltd.)	The PRC	Venture capital and investment advisory services (note 1)	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)	48.0%*
CEL Capital Prestige Asset Management Co., Ltd.	The PRC	Assets management services (note 3)	49.0%*

\* Held indirectly

Note 1: Wuxi Ronghong Guolian Capital Co., Ltd. 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 services to an industrial sector investment fund in mainland China.

Note 3: CEL Capital Prestige Asset Management Co., Ltd. is a joint venture of the Group to provide assets management services to an industrial sector investment fund in mainland China.

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

	2020 HK\$'000	2019 HK\$'000
At fair value:		
Listed equity securities		
– outside Hong Kong	<u>7,455,961</u>	<u>7,742,741</u>

The Group designated the investment in China Everbright Bank Company Limited (“China Everbright Bank”) as financial assets at fair value through other comprehensive income because the Group intends to hold for the long-term strategic purposes. Investment cost of China Everbright Bank is HK\$1,407,189,000 (2019: HK\$1,407,189,000).

No strategic investment was disposed of during the year ended 31 December 2020, and there were no transfers of any cumulative gain or loss within equity relating to this investment.

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

	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>		
At fair value:		
Unlisted equity securities/collective investment schemes (i)*		
– outside Hong Kong	33,024,755	26,932,748
Unlisted preference shares (i)		
– outside Hong Kong	6,489,350	4,731,775
Unlisted debt securities (i)		
– outside Hong Kong	1,354,941	830,881
	<u>40,869,046</u>	<u>32,495,404</u>
<b>Current assets</b>		
At fair value:		
Listed equity securities		
– in Hong Kong	1,836,294	1,484,328
– outside Hong Kong	1,227,716	2,040,936
Unlisted equity securities/collective investment schemes (i)*		
– outside Hong Kong	–	428,695
	<u>3,064,010</u>	<u>3,953,959</u>

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

\* Included in the balance of unlisted equity securities/collective investment schemes are the Group's interests in unconsolidated structured entities amounting to HK\$26,896,583,000 (2019: HK\$22,222,831,000).

As at 31 December 2020, the Group's listed and unlisted equity securities amounting to a fair value of HK\$30,486,793,000 (2019: HK\$24,188,557,000) 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.

In 2020, the Group had certain unlisted financial assets at fair value through profit or loss recorded at a purchase price which was below the fair value at inception that would be determined at that date using a valuation technique. According to the Group's accounting policy, the difference yet to be recognised in the consolidated statement of profit or loss at the beginning and the end of the year is as follows:

	2020 HK\$'000	2019 HK\$'000
As at 1 January	245,306	673,189
Released during the year	(14,150)	(425,688)
Exchange adjustment	13,857	(2,195)
	<u>245,013</u>	<u>245,306</u>
As at 31 December		

## 12. ADVANCES TO CUSTOMERS

	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>		
Term loans to customers		
– secured	–	330,216
– unsecured	<u>34,297</u>	<u>653,065</u>
	<u>34,297</u>	<u>983,281</u>
<b>Current assets</b>		
Term loans to customers		
– secured	1,820,137	2,205,658
– unsecured	<u>635,375</u>	<u>36,596</u>
	<u>2,455,512</u>	<u>2,242,254</u>
Total term loans to customers	<u>2,489,809</u>	<u>3,225,535</u>
Less: Impairment allowance	<u>(314,996)</u>	<u>(299,996)</u>
Net carrying value	<u>2,174,813</u>	<u>2,925,539</u>

Certain term loans to customers are secured by unlisted securities or leasehold land and properties in Hong Kong and mainland China with third parties guarantees.

The movements in the impairment allowance on term loans to customers are as follows:

	<b>Stage 1</b> HK\$'000	<b>Stage 2</b> HK\$'000	<b>Stage 3</b> HK\$'000	<b>Total</b> HK\$'000
As at 1 January 2019	–	–	77,251	77,251
Other changes (including new assets and derecognised assets)	–	–	222,745	222,745
<b>As at 31 December 2019 and 1 January 2020</b>	<b>–</b>	<b>–</b>	<b>299,996</b>	<b>299,996</b>
<b>Other changes (including new assets and derecognised assets)</b>	<b>8,442</b>	<b>6,558</b>	<b>–</b>	<b>15,000</b>
<b>As at 31 December 2020</b>	<b>8,442</b>	<b>6,558</b>	<b>299,996</b>	<b>314,996</b>

Except for the above impairment allowance of HK\$314,996,000 (2019: HK\$299,996,000), there were no other significant receivables, that were aged, requiring significant impairment provision as at 31 December 2020 and 2019.

### 13. INVENTORIES

	<b>2020</b> HK\$'000	2019 HK\$'000
Properties under development	145,445	142,079
Completed properties for sale	1,588,236	1,709,748
	<b>1,733,681</b>	<b>1,851,827</b>

#### 14. DEBTORS, DEPOSITS AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
Accounts receivable	745,341	748,358
Deposits, prepayments, interest and other receivables	<u>2,051,658</u>	<u>1,441,231</u>
	2,796,999	2,189,589
Less: Impairment allowance	<u>(84,723)</u>	<u>(84,723)</u>
	<u><u>2,712,276</u></u>	<u><u>2,104,866</u></u>

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 2020 and 31 December 2019.

Their recoverability was assessed with reference to the credit status of the debtors, and impairment allowance of HK\$84,723,000 as at 31 December 2020 (2019: HK\$84,723,000).

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

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 January 2019	–	–	68,478	68,478
Other changes (including new assets and derecognised assets)	<u>–</u>	<u>–</u>	<u>16,245</u>	<u>16,245</u>
<b>As at 31 December 2019 and 31 December 2020</b>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>84,723</u></u>	<u><u>84,723</u></u>

There was no impairment allowance provided in 2020.

Increase in impairment allowance of HK\$16,245,000 in 2019 as a result of an increase in debtors, deposits and prepayments which were impaired.

#### 15. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2020 HK\$'000	2019 HK\$'000
Creditors, deposits received and accrued charges	<u>3,385,568</u>	<u>3,147,425</u>

## 16. BANK LOANS

	2020 HK\$'000	2019 HK\$'000
Repayment details are as follows:		
Within 1 year	9,493,274	9,577,956
1 to 2 years	1,876,622	5,425,472
2 to 5 years	6,753,086	3,103,865
Over 5 years	<u>785,666</u>	<u>878,555</u>
	<b><u>18,908,648</u></b>	<b><u>18,985,848</u></b>

As at 31 December 2020, the bank loans were secured as follows:

	2020 HK\$'000	2019 HK\$'000
Bank loans:		
– secured	3,648,872	3,773,661
– unsecured	<u>15,259,776</u>	<u>15,212,187</u>
	<b><u>18,908,648</u></b>	<b><u>18,985,848</u></b>

As at 31 December 2020, the bank loans were secured by:

- (a) Mortgage over certain investment properties with carrying value of approximately HK\$4,645 million (31 December 2019: approximately HK\$4,368 million);
- (b) Mortgage over certain inventories with carrying value totalling approximately HK\$425 million (31 December 2019: approximately HK\$409 million);
- (c) Pledged by the equity interests in subsidiaries with carrying value of approximately HK\$1,527 million (31 December 2019: approximately HK\$429 million); and
- (d) Bank balances pledged amounting to approximately HK\$154 million (31 December 2019: approximately HK\$177 million).

**17. BONDS PAYABLE**

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
As at 1 January	<b>11,917,865</b>	11,840,010
New issuance during the year	–	196,190
Exchange rate adjustments	<b>751,585</b>	(118,335)
	<u><b>12,669,450</b></u>	<u>11,917,865</u>
As at 31 December	<b>12,669,450</b>	11,917,865
Current liabilities	<b>4,946,410</b>	3,545,240
Non-current liabilities	<b>7,723,040</b>	8,372,625
	<u><b>12,669,450</b></u>	<u>11,917,865</u>

**18. SHARE CAPITAL**

	<b>2020</b>		2019	
	<b>No. of</b>		No. of	
	<b>shares</b>		shares	
	('000)	<b>HK\$'000</b>	('000)	HK\$'000
<b>Ordinary shares issued and fully paid:</b>				
At 1 January and at 31 December	<u><b>1,685,254</b></u>	<u><b>9,618,097</b></u>	<u>1,685,254</u>	<u>9,618,097</u>

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 2020

	Indefinite	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets</b>							
- Advances to customers	-	-	31,505	2,109,011	34,297	-	2,174,813
- Trading securities	1,005,559	-	2,171,916	-	-	-	3,177,475
- Equity investments designated at fair value through other comprehensive income	7,455,961	-	-	-	-	-	7,455,961
- Financial assets at fair value through profit or loss	42,578,115	-	-	-	1,354,941	-	43,933,056
- Cash and cash equivalents	-	8,155,485	904,212	239,688	-	-	9,299,385
	<u>51,039,635</u>	<u>8,155,485</u>	<u>3,107,633</u>	<u>2,348,699</u>	<u>1,389,238</u>	<u>-</u>	<u>66,040,690</u>
<b>Liabilities</b>							
- Bank loans	-	-	(2,470,873)	(7,022,401)	(8,629,708)	(785,666)	(18,908,648)
- Other financial liabilities	-	-	-	(736,440)	(941,016)	(6,507,734)	(8,185,190)
- Trading securities	(654,997)	-	(11,017)	-	-	-	(666,014)
- Bonds payable	-	-	-	(4,946,410)	(7,723,040)	-	(12,669,450)
- Notes payable	-	-	-	-	(27,000)	-	(27,000)
- Lease liabilities	-	-	(7,783)	(24,244)	(73,802)	-	(105,829)
	<u>(654,997)</u>	<u>-</u>	<u>(2,489,673)</u>	<u>(12,729,495)</u>	<u>(17,394,566)</u>	<u>(7,293,400)</u>	<u>(40,562,131)</u>

## As at 31 December 2019

	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
<b>Assets</b>							
- Advances to customers	-	-	60,080	1,882,178	983,281	-	2,925,539
- Trading securities	643,301	-	1,608,426	-	-	-	2,251,727
- Equity investments designated at fair value through other comprehensive income	7,742,741	-	-	-	-	-	7,742,741
- Financial assets at fair value through profit or loss	35,618,482	-	-	-	830,881	-	36,449,363
- Cash and cash equivalents	-	6,454,692	388,074	422,817	-	-	7,265,583
	<u>44,004,524</u>	<u>6,454,692</u>	<u>2,056,580</u>	<u>2,304,995</u>	<u>1,814,162</u>	<u>-</u>	<u>56,634,953</u>
<b>Liabilities</b>							
- Bank loans	-	-	(2,220,346)	(7,357,610)	(8,529,337)	(878,555)	(18,985,848)
- Other financial liabilities	-	-	-	(98,320)	(891,878)	(4,017,235)	(5,007,433)
- Trading securities	(266,925)	-	(16,225)	-	-	-	(283,150)
- Bonds payable	-	-	-	(3,545,240)	(8,372,625)	-	(11,917,865)
- Notes payable	-	(27,000)	-	(30,000)	-	-	(57,000)
- Lease liabilities	-	-	(13,057)	(33,209)	(81,319)	(4,214)	(131,799)
	<u>(266,925)</u>	<u>(27,000)</u>	<u>(2,249,628)</u>	<u>(11,064,379)</u>	<u>(17,875,159)</u>	<u>(4,900,004)</u>	<u>(36,383,095)</u>

## 20. SENIOR PERPETUAL CAPITAL SECURITIES

	Principal HK\$'000	Distribution HK\$'000	Total HK\$'000
As at 1 January 2020	-	-	-
Issuance of senior perpetual capital securities during the year	2,325,540	-	2,325,540
Profit attributable to holders of senior perpetual capital securities	-	15,736	15,736
<b>As at 31 December 2020</b>	<b><u>2,325,540</u></b>	<b><u>15,736</u></b>	<b><u>2,341,276</u></b>

In 2020, the Company issued senior perpetual capital securities with the principal amount of US\$300,000,000 (equivalent to approximately HK\$2,325,540,000). The Company intends to use the proceeds for offshore indebtedness refinancing, offshore asset management business development and replenishing working capital. The distribution rate for the senior perpetual capital securities is 3.80% per annum 3 years from the date of issuance (i.e., 27 October 2023), and subsequently the distribution rate will be reset in every 3 calendar years.

The distribution of senior perpetual capital securities is accrued in accordance with the distribution rate as set out in the subscription agreement, and such distribution shall be payable semi-annually in arrears on 27 April and 27 October of each year.

The senior perpetual capital securities have no maturity and the payments of distribution can be deferred into perpetuity at the discretion of the Company. The instruments could only be redeemed at the option of the Company. Hence, they are classified as equity instruments.

## 21. SEGMENT INFORMATION

The Group manages and conducts the majority of its business activities by business units. Operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and performance assessment.

### **Fund Management Business**

Fund management business refers to the business 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:** Investment in unlisted equity securities or equity derivatives with 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. Areas of investments include new economy, artificial intelligence and advanced manufacturing, new energy, medical care and senior healthcare, overseas acquisition and infrastructure, real estate, aircraft industry chain, mezzanine fund and others.
- **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 demonstrates 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 Investments Business

The Group makes full use of its own capital to make the following three types of investments to promote the development of the fund management business and to optimise its income structure. They are:

- Strategic industry platform investments: Focusing on aircraft leasing, artificial intelligence of things (AIoT) and elderly care industry platforms;
- Financial investments: Investing in equity, debts, structured products and other products; and
- Cornerstone investments: The Group's stake in China Everbright Bank and Everbright Securities contributing relative stable earnings and dividend income.

### (a) Business segments

#### For the year ended 31 December 2020:

	Fund Management Business				Principal Investments Business			Reportable segments total HK\$'000	Total HK\$'000
	Primary Market Investments HK\$'000	Secondary Market Investments HK\$'000	Fund of Funds Investments HK\$'000	Wealth Management HK\$'000	Strategic Industry Platform Investments HK\$'000	Financial Investments HK\$'000	Cornerstone Investments HK\$'000		
Income from contracts with customers	226,463	107,496	26,937	-	-	179,523	-	540,419	540,419
Income from investments	467,310	405,748	516,042	-	1,308,377	1,023,152	617,066	4,337,695	4,337,695
Income from other sources	5,270	(17,712)	-	-	-	120,585	-	108,143	108,143
<b>Total income</b>	<b>699,043</b>	<b>495,532</b>	<b>542,979</b>	<b>-</b>	<b>1,308,377</b>	<b>1,323,260</b>	<b>617,066</b>	<b>4,986,257</b>	<b>4,986,257</b>
Segment operating results	269,875	352,962	504,909	(280)	1,308,377	880,789	617,066	3,933,698	3,933,698
Unallocated head office and corporate expenses									(1,334,762)
Share of profits less losses of associates	56,923	-	-	-	98,913	(156,931)	564,115	563,020	563,020
Share of profits less losses of joint ventures	17,318	-	-	25,982	-	-	-	43,300	43,300
<b>Profit before taxation</b>									<b>3,205,256</b>
Less: Non-controlling interests	43,510	(108,492)	1,890	-	-	85,865	-	22,773	
<b>Segment results</b>	<b>387,626</b>	<b>244,470</b>	<b>506,799</b>	<b>25,702</b>	<b>1,407,290</b>	<b>809,723</b>	<b>1,181,181</b>	<b>4,562,791</b>	
Other segment information: Impairment losses recognised in the statement of profit or loss	178,000	-	-	-	-	15,000	-	193,000	

**For the year ended 31 December 2019:**

	Fund Management Business				Principal Investments Business			Reportable segments total HK\$'000	Total HK\$'000
	Primary Market Investments HK\$'000	Secondary Market Investments HK\$'000	Fund of Funds Investments HK\$'000	Wealth Management HK\$'000	Strategic Industry Platform Investments HK\$'000	Financial Investments HK\$'000	Cornerstone Investments HK\$'000		
Income from contracts with customers	273,064	116,603	22,494	-	-	199,617	-	611,778	611,778
Income from investments	269,464	420,132	397,459	-	486,687	1,855,396	295,173	3,724,311	3,724,311
Income from other sources	5,456	(25,581)	-	-	-	290,379	-	270,254	270,254
<b>Total income</b>	<b>547,984</b>	<b>511,154</b>	<b>419,953</b>	<b>-</b>	<b>486,687</b>	<b>2,345,392</b>	<b>295,173</b>	<b>4,606,343</b>	<b>4,606,343</b>
Segment operating results	65,480	379,794	394,613	(750)	421,945	1,804,393	295,173	3,360,648	3,360,648
Unallocated head office and corporate expenses									(1,510,008)
Share of profits less losses of associates	364,047	-	-	-	304,980	13,919	140,508	823,454	823,454
Share of profits less losses of joint ventures	45,312	-	-	43,401	-	-	-	88,713	88,713
<b>Profit before taxation</b>									<b>2,762,807</b>
Less: Non-controlling interests	(2,060)	(46,284)	-	-	10,353	63,387	-	25,396	
<b>Segment results</b>	<b>472,779</b>	<b>333,510</b>	<b>394,613</b>	<b>42,651</b>	<b>737,278</b>	<b>1,881,699</b>	<b>435,681</b>	<b>4,298,211</b>	
Other segment information: Impairment losses recognised in the statement of profit or loss	238,990	-	-	-	-	-	-	238,990	

*Other Information*

**As at 31 December 2020**

	Fund Management Business				Principal Investments Business			Reportable segments total	Total
	Primary Market Investments	Secondary Market Investments	Fund of Funds Investments	Wealth Management	Strategic Industry Platform Investments	Financial Investments	Cornerstone Investments		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	26,744,891	5,241,905	9,900,196	-	3,554,463	23,383,117	7,455,961	76,280,533	76,280,533
Investments in associates	4,069,036	-	-	-	2,208,274	453,826	12,504,182	19,235,318	19,235,318
Investments in joint ventures	234,736	-	-	811,011	-	-	-	1,045,747	1,045,747
Unallocated head office and corporate assets									413,202
Total assets									<u>96,974,800</u>
Segment liabilities	3,579,875	1,718,031	4,521,402	-	-	5,423,792	-	15,243,100	15,243,100
Unallocated head office and corporate liabilities									28,704,599
Provision for taxation									926,832
Deferred tax liabilities									<u>2,667,288</u>
Total liabilities									<u>47,541,819</u>

**As at 31 December 2019**

	Fund Management Business				Principal Investments Business			Reportable segments total	Total
	Primary Market Investments	Secondary Market Investments	Fund of Funds Investments	Wealth Management	Strategic Industry Platform Investments	Financial Investments	Cornerstone Investments		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	22,233,443	4,572,350	7,350,837	-	2,232,325	22,171,319	7,742,741	66,303,015	66,303,015
Investments in associates	3,963,063	-	-	-	2,209,252	1,292,387	11,262,789	18,727,491	18,727,491
Investments in joint ventures	261,752	-	-	791,179	-	-	-	1,052,931	1,052,931
Unallocated head office and corporate assets									413,046
Total assets									<u>86,496,483</u>
Segment liabilities	2,661,441	997,841	2,948,239	-	-	4,712,647	-	11,320,168	11,320,168
Unallocated head office and corporate liabilities									28,210,352
Provision for taxation									863,137
Deferred tax liabilities									<u>2,315,456</u>
Total liabilities									<u>42,709,113</u>

**(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, right-of-use assets, 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 2020			For the year ended 31 December 2019		
	Mainland			Mainland		
	Hong Kong HK\$'000	China HK\$'000	Total HK\$'000	Hong Kong HK\$'000	China HK\$'000	Total HK\$'000
Segment revenue						
Income from contracts with customers	223,730	316,689	540,419	242,373	369,405	611,778
Income from investments	323,905	4,013,790	4,337,695	487,731	3,236,580	3,724,311
Income from other sources	25,766	82,377	108,143	1,211	269,043	270,254
	<u>573,401</u>	<u>4,412,856</u>	<u>4,986,257</u>	<u>731,315</u>	<u>3,875,028</u>	<u>4,606,343</u>
	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Mainland			Mainland		
	Hong Kong HK\$'000	China HK\$'000	Total HK\$'000	Hong Kong HK\$'000	China HK\$'000	Total HK\$'000
Specified non-current assets	<u>2,343,151</u>	<u>24,085,594</u>	<u>26,428,745</u>	<u>3,181,413</u>	<u>22,413,902</u>	<u>25,595,315</u>

**22. IMPORTANT EVENT AFTER THE REPORTING DATE**

Reference is made to the announcement of the Company made through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") dated 2 February 2021 (the "Announcement"). As highlighted in the Announcement, the Company is involving in a legal proceeding (the "Litigation") and the Company is of the view that any resulting liabilities of the Litigation will not have a material adverse impact on the financial position or operating results of the Company. For more details, please refer to the Announcement. The Company will provide further information as and when appropriate in accordance with the Rules Governing the Listing of Securities on the Stock Exchange.

## MANAGEMENT DISCUSSION & ANALYSIS

### REVIEW AND ANALYSIS

#### Macro-economic and Industry Review

The year of 2020 is an extraordinary year. The novel coronavirus pneumonia (COVID-19) pandemic has put the whole world under a test. The virus had not only threatened people's life and health, but also had a huge impact on the world's society and economy. According to the World Economic Outlook published by the International Monetary Fund (IMF) on 26 January 2021, the world economy suffered the worst recession since World War II in 2020, with a decline of 3.5% in the gross domestic product (GDP). Notably, according to data released by the United States Department of Commerce on 28 January 2021, the GDP of the United States shrunk by 3.5% in 2020. According to preliminary data released by the Eurostat on 2 February 2021, the GDP of the 19 countries in the eurozone in 2020 declined by 6.8% as compared with the previous year, and the GDP of the 27 EU countries fell by 6.4% year-on-year. On 15 February 2021, the Japanese Cabinet Office announced that real GDP in 2020 after excluding price changes decreased by 4.8% year-on-year, suffering negative growth for the first time since 11 years ago. According to data released by the National Bureau of Statistics of China on 18 January 2021, China's economy sustained a growth of 2.3% despite the impact of the pandemic in 2020, with its total GDP breaking the RMB100 trillion mark. China is the only country among the world's major economies to achieve positive economic growth.

Over the same period, China's private equity industry had also experienced complicated challenges. Fund-raising remained challenging. According to the research in the "China VC/PE Market Review 2020" issued by Zero2IPO Research Center on 3 February 2021, the total fund-raising in China's PE market was merely RMB940,429 million in 2020, down by 7.4% year-on-year. The equity investment industry continued to show a trend of declining fund-raising scale, and funds/capital continuously flew to top/leading PE players, with an intensifying competition in the industry. The investment side, however, remained cautious. Significant reforms in China's domestic capital market had boosted market confidence, and, therefore, investment activities had become more active, with an annual investment amount of RMB887.1 billion, up by 14% year-on-year. Despite this, 89% of institutions believed that the pandemic has an impact on investment activities, and investment had tended to be cautious and concentrated on large-scale top projects. Meanwhile, there were both opportunities and challenges in the investment exit environment. During the pandemic, although demands for stock repurchases, equity transfers and M&As saw a significant decline, the review procedures for initial public offerings (IPO) had been accelerated, thanks to the successful implementation of reform on the registration-based system in China. In 2020, a total of 605 enterprises were approved by China Securities Regulatory Commission (CSRC) for share issue, including 284 enterprises registered on the GEM board in Shenzhen or applied for listing on the STAR Market in Shanghai, far above the level of the same period in 2019.

The year of 2020 was also an extraordinary and challenging year for CEL. The spread of the pandemic was not properly contained overseas, the uncertain international situation was complicated, the world economy was subdued, and private equity industry experienced unprecedented challenges. Nonetheless, CEL remained resilient and achieved hard-won results, by focusing on cross-border asset management strategy, creating a robust synergy among various invested industrial platforms, elevating “market-oriented, international and professional” capabilities, developing a unique CEL asset management business model, and caring employee’s health and designing appropriate COVID work policies.

In 2020, CEL’s comprehensive strength had been continuously improving. CEL’s PEI 300 ranking for 2020 was 84th, versus 95th in 2019. From the fundraising perspective, CEL’s assets under management (“AUM”) grew approximately 16% (newly raised funds of HK\$27.15 billion) to HK\$182.8 billion, hitting a record high, despite China’s PE market’s fundraising experiencing a decline. From the investment perspective, CEL invested a total amount of HK\$13.6 billion in many high-quality projects, including Evergrande Property Services, Muyuan Project, Chongqing Science Park and Xiaomi Yeelight, etc., creating a solid foundation for the CEL’s future revenue creation. From the investment project management perspective, CEL reinforced its risk management and post-investment practice over the funds under management and investment projects. From the exit perspective, CEL captured market opportunities and achieved exits/partial exits of 70 projects, creating a cash inflow of over HK\$12.4 billion. Notably, 8 investment projects achieved IPO (or obtained IPO approval) during the year, including Evergrande Property Services, XPeng Motors, Three’s Company and Qi-An-Xin etc., demonstrating a strong investment capability and track record. From the Everbright ecosystem perspective, CEL actively collaborated with China Everbright Group Ltd. (“Everbright Group”) to create new synergy breakthroughs, achieving 1+1>2 effect through improving coordinated development. After taking deliberate and proactive actions, CEL overcame many challenges created by the external environment. The Company recorded a profit attributable to its shareholders of HK\$2.264 billion in 2020, representing a year-on-year increase of 1.2%, exhibiting a strong business resilience. The overall business of the Company maintained a trend of sustainable, healthy and stable development.

## 2020 Business Review Highlights

In 2020, CEL coped with unprecedented external challenges, and strived to improve its comprehensive capabilities in “fundraising, investment, management and exit”, continued to strengthen the industry-capital synergy with its industrial platforms, reinforced the coordinated development with Everbright Group’s various business units, and was on track to achieve high-quality development. As a result, good progress had been made in terms of comprehensive strength, strategy execution and business performance.

### **Achieving new progress in overall strength and strategic ranking**

In 2020, under the new strategy, CEL made progress on strategic ranking and ranked 84th among world’s largest private equity firms by PEI 300, rising by 11 seats as compared to 2019.

### **Continuously improving core business and key operating activities in fundraising, investment, management and exit**

- **Fundraising overcame the market headwind:** In 2020, despite the continued challenging conditions for fundraising in China’s PE industry, CEL achieved good performance by taking proactive fundraising measures. The total increase in fundraising of CEL’s funds amounted to approximately HK\$27.15 billion, and the AUM reached approximately HK\$182.8 billion, representing a year-on-year growth of approximately 16%; the AUM per capital (AUM divided by no. of employees of the Group’s headquarter and fully owned subsidiaries) was approximately HK\$600 million, representing a year-on-year growth of approximately 37.4%, demonstrating an improved efficiency in asset management. Robust fundraising activities also laid a solid foundation for future development;
- **Optimized investment portfolio:** The investment amount for the year was approximately HK\$13.6 billion, mainly in the sectors of green economy, healthcare and technology, with a continuously optimized investment portfolio;

- Strict management of risk exposures: In 2020, the Company continued to strengthen the risk management of more than 240 post-investment projects by closely monitoring risk exposures, and resolving risk matters in a timely manner;
- Realised gain from project exits reached a new high in recent 3 years: During the year, CEL realised cash inflow of approximately HK\$12.4 billion with an average project exit internal rate of return (“IRR”) of 15%. Notably, the realised gain on investments amounted to HK\$2,013 million, of which the net realised gain on financial assets at fair value through profit or loss amounted to HK\$1.81 billion.

**Successfully overcoming external challenges, and delivering results in value creation**

Despite the unprecedented external shocks, the Company recorded total amount of income of HK\$5,592 million (the calculation method of which is set out in the footnote on page 36 of this announcement), representing an increase of 1.3% as compared to the same period last year. The net profit attributable to the shareholders of the Company for the year was approximately HK\$2,264 million, representing an increase of 1.2%.

**Strategically evolving into capital-light business model, and appropriately revitalizing cornerstone assets**

CEL executed the capital-light management transformation strategy in discipline, and continuously revitalised its cornerstone assets by capturing appropriate market window. In 2020, CEL reduced its holdings of 21.783 million shares of Everbright Securities Company Limited (“Everbright Securities”), and realised a gain on investments of HK\$251 million by capitalising on the favourable opportunity of China’s rising A-share market.

**Continuously providing strategic resources for industrial platforms, as well as improving the synergy between industrial platforms and asset management business line**

CEL further strengthened the synergy between industrial and investment platforms, and nurtured various industry platforms to reinforce their market leading position and cultivate core competitive strength.

- China Aircraft Leasing Group Holdings Limited (“CALC”) maintained its position as one of the world’s leading aircraft lessors, ranked 9th in 2020 ICF International;
- The number of beds of China Everbright Senior Healthcare Company Limited (“Everbright Senior Healthcare”) exceeded 28,000 beds, maintaining a leading position in China;
- Chongqing Terminus Technology Co., Ltd. (“Terminus”) ranked No.1 in “2020 Deloitte Technology Fast Growth 50 China” released by Deloitte;
- EBA Investments was ranked the 1st of the “Top 10 Funds in terms of Comprehensive Strength among China Real Estate Funds” for six consecutive years.

While developing industry platforms, CEL promoted the synergic collaboration between industry and asset management business, and the results had been wonderful. In 2020, CEL newly raised funds of HK\$3.61 billion for EBT Investment Fund to capitalise on the industrial capabilities of Terminus, and newly raised funds of HK\$1.78 billion for aviation-themed funds to leverage the industrial capabilities of CALC.

**Significantly strengthening strategic synergy in the ecosystem, and creating solid results through coordinated development**

CEL strengthened in-depth synergic collaboration with all of the business units within the Everbright Group, and promoted the coordinated development of various businesses by leveraging their complementary advantages. As of the end of 2020, the Company cooperated with many industrial entities within the Everbright Group, and the scale reported continuous increase. To name a few, the Company issued senior perpetual capital securities drawing upon the advantage of Everbright Group in capital market business; EBA Investments, an associated company, jointed with Everbright Securities to launch RMB1.72 billion REITs products; and CALC, an associated company, developed an aircraft asset package project of approximately US\$300 million with Everbright Financial Leasing.

**Improving operational/  
managerial capabilities to  
advance headquarter-driven  
functions**

- In 2020, CEL further strengthened the headquarter-driven functions, refined its organisational structure, and increased efforts in the coordinated development among its industrial platforms.
- CEL set up the Operation Centre as an initiative to implement the construction of “one consolidated mid-office” in order to improve its decision-making and operating efficiency.
- CEL also launched the headquarter-driven asset allocation practice to further strengthen its portfolio allocation capabilities, as well as enhance the investment management capabilities.

**Providing dedicated care for  
employees’ well beings, and  
achieving a remarkable result  
in COVID prevention and  
control**

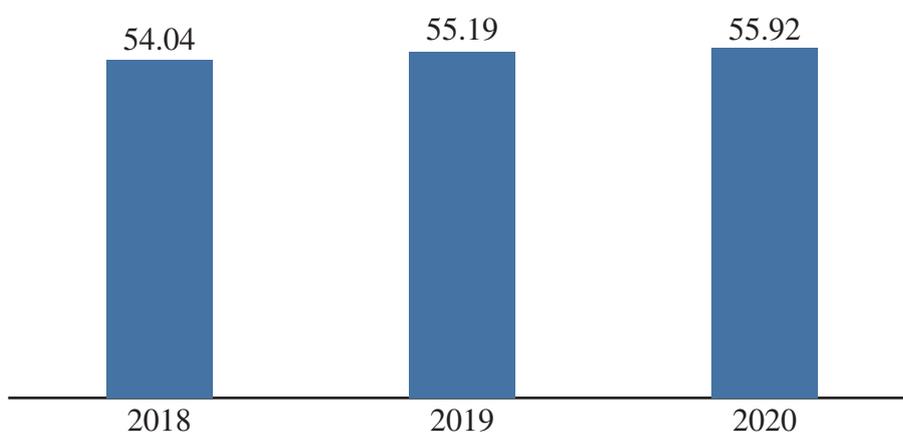
In the face of sudden pandemic, CEL paid great attention to the health of its employees and established a dedicated leading group to strengthen pandemic prevention and control. As a result, none of the employees of the Group had been infected, and no confirmed case had been reported in the elderly facilities of Everbright Senior Healthcare. In addition, CEL showed great social responsibilities and cares during the pandemic, and donated resources dedicated to fight the pandemic in the total amount of RMB6.06 million for the year of 2020.

## Financial Performance in 2020

### *Income*

During the reporting period, CEL withstood the severe impact of the pandemic and achieved a total amount of income<sup>2</sup> of HK\$5,592 million. The slight increase in income over the same period last year demonstrated the continued improvement of the Company's operating conditions and CEL's ability to adapt to the changing dynamics with agile tactics.

**CEL's total amount of income in the recent three years**  
*(in HK\$ hundred million)*



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<sup>2</sup> Total amount of income is calculated as: income from contracts with customers + income from investments + income from other sources + share of profits less losses of associates + share of profits less losses of joint ventures. "Total amount of income" is a measure used by the management of the Group for monitoring business performance and financial position. It may not be comparable to similar measures presented by other companies.

In terms of the nature of income, the income of CEL is mainly derived from (1) income from contracts with customers, mainly including fund management fee, performance fee and consultancy fee; (2) income from investments, mainly including interest and dividend income from investment projects held and capital gains; and (3) share of profits of associates/joint ventures. Specifically, management fee income is related to the Group's AUM. Interest income and dividend income are mainly derived from the structural investment and financing business under Principal Investments Business of the Group, and certain equity investments under China Everbright Bank and EBA Investments. Capital gains are mainly derived by the Group from the capital gains generated from primary market funds or direct investments in the equity interests of non-listed companies and other financial assets, including net realised gain from divested projects and valuation movement of non-divested projects, and the realised capital gains in secondary market stocks and bonds transactions through secondary market funds, and unrealised capital gains from mark-to-market investments.

In the first half of 2020, normal business activities were delayed due to the outbreak of the pandemic. Most of the new funds were established in the fourth quarter. As affected by the pandemic, there were delays in the date of actual payment, contract signing and contract implementation for some of the funds. Meanwhile, in order to capture market exit opportunities, some of the funds had entered “exit” phase, so a reduced amount of management fee was reported. As a result, income from contracts with customers decreased by 12% from the same period last year to HK\$540 million. During the reporting period, the property business, the aircraft leasing business and other sectors were greatly affected by the pandemic. Coupled with the industry cycle headwind factors, the income and profits of some investment projects and investment portfolio companies were significantly subdued.

At the beginning of 2020, through scientific research and deliberate strategic decision making, the Company formulated the strategic direction of “being steady on project exits and being selective on investment opportunities” to capture some of the market opportunities in global capital market in 2020. As a result, income from investments totalled HK\$4,338 million, representing an increase of 16% as compared with the same period last year, and capital gain (realised gain or loss) increased by 47%. In addition, some investment projects of the Company achieved outstanding performance. With the gradual recovery of the capital market, project valuations increased significantly, and capital gain (unrealised gain or loss) increased by 191%.

Overall, CEL remained resilient in the pandemic, and achieved a total amount of income of HK\$5,592 million in year of 2020, representing an annual growth of approximately 1.3%.

### Key income items

<i>(in HK\$ hundred million)</i>	2020	2019	Change
Income from contracts with customers, mainly including:			
– Management fee income	5.40	6.12	(12%)
– Performance fee and consultancy fee	2.96	3.71	(20%)
	1.21	0.73	66%
Income from investments, mainly including:	43.38	37.24	16%
– Interest income	4.36	4.13	6%
– Dividend income	7.57	8.22	(8%)
– Capital gain (realised gain or loss)	20.13	13.70	47%
– Capital gain (unrealised gain or loss)	8.23	2.83	191%
– Gain on bargain purchase of a subsidiary	–	6.19	N/A
Income from other sources	1.08	2.70	(60%)
Share of profits less losses of associates	5.63	8.24	(32%)
Share of profits less losses of joint ventures	0.43	0.89	(52%)
<b>Total amount of income</b>	<b>55.92</b>	<b>55.19</b>	<b>1.3%</b>

From the perspective of the financial statements of the Group, management fee income was HK\$296 million, representing a year-on-year decrease of 20%, which was mainly because (i) the management fee of some funds had been reduced or no longer charged as they have entered the exit period; (ii) the Company implemented the strategy of “being steady on project exits and being selective on investment opportunities” to capitalise on the favourable capital market conditions, and some funds have entered their exit period to seize project exit opportunities and secure investment income, leading to reduced management scale and thus a decrease in management fees was incurred; and (iii) no management fee income was generated by certain new funds which were closed at the end of 2020, but these funds will contribute income in the future. Therefore, management fee income from the perspective of the financial statements declined as a result of the aforementioned reasons, though AUM increased during the reporting period.

For the purpose of resource allocation and business performance evaluation, the management of the Group adopts “Earned Management Fee Income”<sup>3</sup> as an additional financial measurement index. Earned Management Fee Income refers to the management fee income received by the Group as a fund manager in accordance with relevant fund management agreements. During the reporting period, the earned management fee income of the Group amounted to HK\$1,018 million, representing a year-on-year increase of 14%. The solid growth of AUM also laid a foundation for the future growth of management fee income. The adjustments between the Earned Management Fee Income recognised by the Group for the current reporting period and the Management Fee Income presented in accordance with the Hong Kong Financial Reporting Standards include (a) elimination of management fee income from consolidated funds: the Group acts as both the fund manager and the major limited partner in certain funds, where the management fee paid by the fund and the management fee income received by the fund manager shall be eliminated when consolidating into the Group’s consolidated financial statements; (b) management fee income received by an associate/joint venture: (i) the Group acts as the joint fund manager through the establishment of a joint venture with a third party, and the management fees received by such joint venture shall be presented according to the Group’s share of profits from the joint venture; (ii) Everbright Jiabao Co., Ltd. (“Everbright Jiabao”), an associate of the Group, holds 51% interest of EBA Investments, which is included in Everbright Jiabao’s scope of consolidation. The Group holds the remaining 49% interest of EBA Investments through another subsidiary and such interest is accounted for as financial assets. The management fee income of EBA Investments is reflected in share of profits of associates of the Group; (c) other accounting adjustments.

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<sup>3</sup> The Earned Management Fee Income is a measure used by the management of the Group for monitoring business performance and financial position. It may not be comparable to similar measures presented by other companies.

<i>(in HK\$ hundred million)</i>	As presented in the financial report	Elimination of management fee income from consolidated funds <i>(a)</i>	Management fee income received by associates/ joint ventures <i>(b)</i>	Other Accounting Adjustments <i>(c)</i>	Earned Management Fee Income
Primary market	2.28	1.07	2.98	0.68	7.01
Secondary market	0.46	0.23	–	0.15	0.84
Funds-of-Funds	0.22	2.08	–	0.03	2.33
<b>Management fee income</b>	<b>2.96</b>	<b>3.38</b>	<b>2.98</b>	<b>0.86</b>	<b>10.18</b>

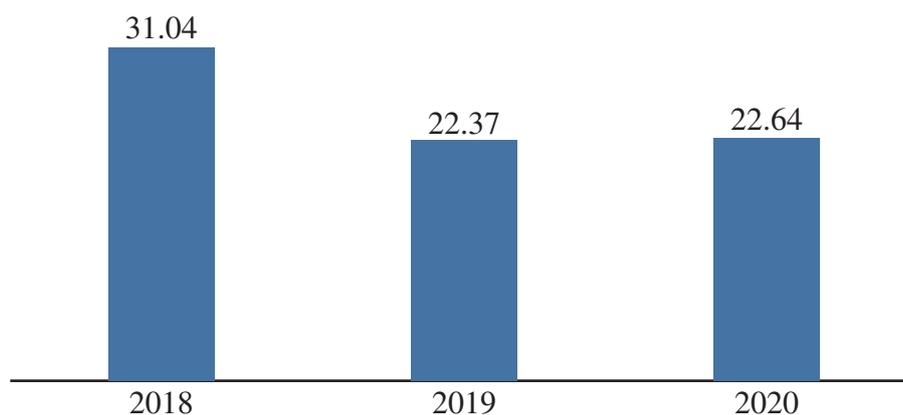
The income from Fund Management Business of the Group during the reporting period amounted to HK\$1,838 million, as compared to an income of HK\$1,932 million for the same period last year. The income from Principal Investments Business amounted to HK\$3,754 million, as compared to an income of HK\$3,587 million for the same period last year. In the context of the relatively complicated external environment in 2020, CEL successfully maintained stable growth in overall income.

<i>(in HK\$ hundred million)</i>	<b>2020</b>	2019	<b>Change</b>
Income from key business segments			
– Income from Fund Management Business	<b>18.38</b>	19.32	(5%)
– Income from Principal Investments Business	<b>37.54</b>	35.87	5%
<b>Total amount of income</b>	<b>55.92</b>	55.19	1.3%

## *Profit*

The profit attributable to shareholders of the Company in 2020 was HK\$2,264 million, representing an increase of 1.2% as compared with the same period last year. The profit of Fund Management Business during the reporting period was HK\$1,165 million, representing a decrease of 6% as compared with last year.

### **CEL's Profit attributable to shareholders of the Company in the recent three years** *(in HK\$ hundred million)*



The profit of Principal Investments Business amounted to HK\$3,398 million, representing an increase of 11% as compared with last year, which remained resilient during the pandemic in 2020. During the reporting period, as affected by the pandemic and the volatile macro environment, some financial investment projects suffered from declined project valuations and. As a result, profit from the financial investments was HK\$810 million, representing a decrease of 57% as compared to last year. However, strategic industrial platforms and cornerstone investments performed well, with profits increasing by 91% and 171%, respectively as compared with 2019. According to the November 2020 data of aviation information service provider Cirium, CALC ranked first among the world's large-scale lessors with 95% of its fleet in service, effectively mitigated the huge impact of the pandemic on the aviation sector. Everbright Senior Healthcare had increased its efforts in the improvement of quality and efficiency, overcame external difficulties and refined its income structure, in a bid to increasing the rate of returns. Terminus completed a new round of financing, introduced renowned strategic investors, and achieved a significant appreciation in valuation. In terms of cornerstone investments, Everbright Securities Company Limited ("Everbright Securities") and China Everbright Bank Company Limited ("China Everbright Bank") recorded stable performance. During the reporting period, the Group revitalised certain shares of Everbright Securities as planned by capitalising on the window periods during which the capital market showed outstanding performance. Profit attributable to shareholders of the Company achieved steady growth.

**Profit in Key Business Segments***(in HK\$ hundred million)*

	<b>2020</b>	2019	<b>Change</b>
Profit from Fund Management Business	<b>11.65</b>	12.44	(6%)
Profit from Principal Investments Business:	<b>33.98</b>	30.55	11%
– Strategic industry platform (CALC, Everbright Senior Healthcare, Terminus)	<b>14.07</b>	7.37	91%
– Financial investments	<b>8.10</b>	18.82	(57%)
– Cornerstone investments (certain equity interests in China Everbright Bank and Everbright Securities)	<b>11.81</b>	4.36	171%
Less: Unallocated corporate expenses, taxes and profit attributable to holders of senior perpetual capital securities	<u>(22.99)</u>	<u>(20.62)</u>	<u>11%</u>
Profit attributable to shareholders of the Company	<u><b>22.64</b></u>	<u>22.37</u>	<u>1.2%</u>

The board of directors (the “Board”) declared an interim dividend and a final dividend totaling HK\$0.49 per share for 2020 (totalling HK\$0.48 per share for the last year). The dividend payout ratio was 36.5%, representing an increase of 0.3 ppt as compared to that of 36.2% for last year.

<b>Per Share (HK\$)</b>	<b>2020</b>	2019	<b>Change</b>
Earnings per share	<b>1.34</b>	1.33	1%
Interim dividend per share	<b>0.14</b>	0.25	(44%)
Final dividend per share	<b>0.35</b>	0.23	52%
Dividend payout ratio (annual)	<b>36.5%</b>	36.2%	0.3 ppt

## Key Financial Ratios

During the reporting period, as the Group actively took measures to increase revenue and reduce expense, the operating costs of CEL were HK\$1,132 million, with an operating cost-to-income ratio of 20.2%, representing a decrease of 4.3 ppt from last year. By capitalising on the favourable market opportunity, the Group successfully issued US\$300 million offshore senior perpetual capital securities at the lowest interest rate (3.8%) of offshore perpetual bonds of Chinese-funded financial holding institutions since 2017, which effectively improved the Company's capital structure and provided more financial support for business growth. As of the end of 2020 the interest-bearing debt of CEL amounted to HK\$31.6 billion, with the gearing ratio of 63.9% and debt-to-asset ratio of 49.0%. The current ratio of the Group was 110% which remained basically flat as compared to last year.

Key Financial Data <sup>4</sup>	2020 year-end	2019 year-end	Change
Operating cost-to-income ratio <sup>5</sup>	<b>20.2%</b>	24.5%	-4.3 ppt
Gearing ratio <sup>6</sup>	<b>63.9%</b>	70.7%	-6.8 ppt
Debt-to-asset ratio <sup>7</sup>	<b>49.0%</b>	49.4%	-0.4 ppt
Current ratio <sup>8</sup>	<b>110%</b>	111%	-1.0 ppt

## Business Performance Analysis in 2020

### Fund Management Business

With the diversified fund structures, capabilities on the full value chain and cross-border asset deployment, CEL continued to maintain its position as a leading fund management institution in China. In 2020, by leveraging its extensive experience and its strong customer base in the fund management industry established over years, CEL was able to achieve growth in the AUM, and further improved the product mix amid the relatively challenging international environment.

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<sup>4</sup> Operating cost-to-income ratio, gearing ratio and current ratio are the measures used by the management of the Group for monitoring business performance and financial position. These may not be comparable to similar measures presented by other companies.

<sup>5</sup> Operating cost-to-income ratio is calculated as (staff costs + depreciation and amortisation expenses + other operating expenses)/total amount of income.

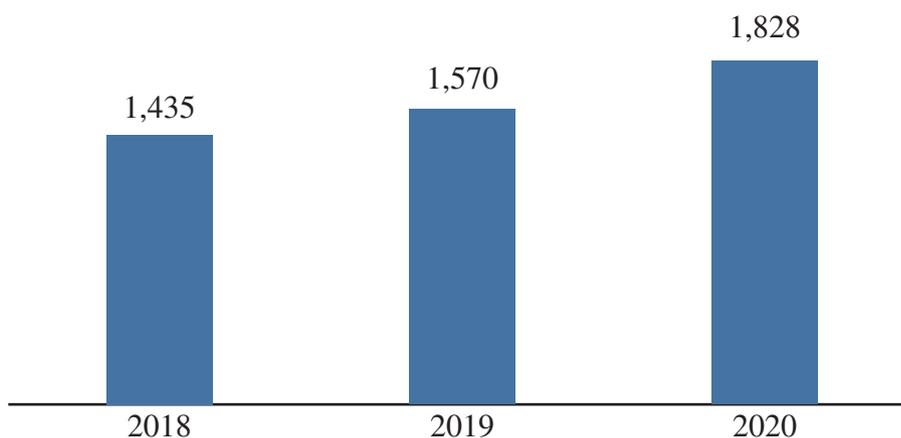
<sup>6</sup> The gearing ratio is calculated as interest-bearing debt (including bank loans + notes payable + bonds payable)/total equity.

<sup>7</sup> Debt-to-asset ratio=(Total liabilities/Total assets)×100%

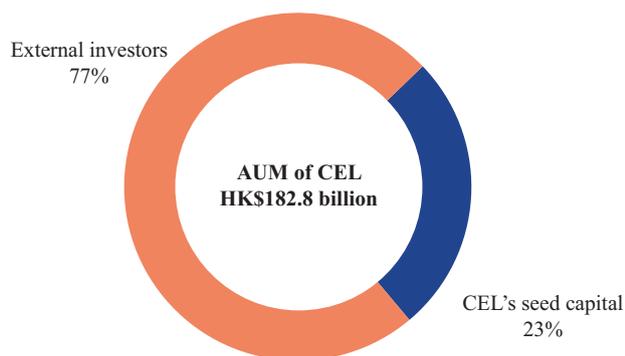
<sup>8</sup> The current ratio is calculated as current assets/current liabilities.

The AUM of CEL’s funds reached approximately HK\$182.8 billion as at the end of 2020, representing a growth of 16% as compared to the end of 2019. In terms of source of funding, CEL’s seed capital accounted for 23%, signalling a downward trend year by year with improving utilization efficiency of seed capital. CEL’s funds from external investors accounted for 77% of the AUM, where the external investors were primarily institutional investors, with a diversified range of institutions covering commercial banks, insurance companies, family offices, government agencies and others. In terms of currency, funds denominated in RMB and non-RMB currencies were approximately HK\$133.8 billion and HK\$48.9 billion, accounting for 73% and 27% of the funds, respectively. In terms of the nature of funds, CEL’s Fund Management Business managed 43 primary market funds, 27 secondary market investment portfolios and 8 Funds-of-Funds (“FoFs”). During the reporting period, CEL’s Fund Management Business exited, fully or partially, 48 projects, realising a cash inflow of approximately HK\$5.7 billion. Major exited projects mainly included LifeTech Scientific (HK\$690 million, with an IRR of approximately 63%), Albania Airport (HK\$680 million, with an IRR of approximately 14%), Yuxin Yicheng (HK\$640 million, with an IRR of approximately 49%), NIO (HK\$540 million, with an IRR of approximately 21%), Wish (HK\$180 million, with an IRR of approximately 14%), which have created considerable cash returns for LP investors and demonstrated CEL’s strong investment capability and project exit capability.

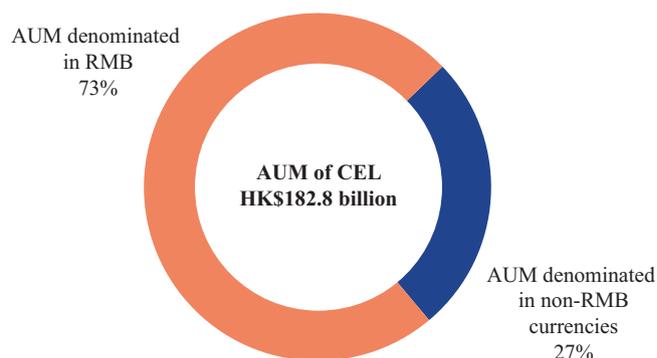
**AUM of CEL in the recent three years**  
*(in HK\$ hundred million)*



**Distribution of AUM of CEL  
(By Investors)**



**Distribution of AUM of CEL  
(By Currency)**



In 2020, due to CEL's industry insight in selected sectors and refined fund management capability, a number of CEL's funds in various fields including people's livelihood, healthcare and technology performed well, and some funds achieved decent returns.

Sector	Name of funds	AUM (HK\$)	IRR since establishment of fund and up to the end of 2020
New economy/innovative technology	Everbright-IDG Industrial Fund	12,017 million	17.8%
New economy	CEL Hunan Fund-of-Funds	6,100 million	22.6%
Semiconductor technology	Walden CEL Global Fund I	1,461 million	20.1%
People's livelihood	Domestic Mezzanine Fund II	1,455 million	45.9%
Healthcare	Medical and Healthcare Fund III	1,506 million	46.1%

### *Primary Market Funds*

As of the end of 2020, 43 fund products were under the management in CEL's Primary Market Fund segment, with aggregate AUM of approximately HK\$129 billion, out of which amounts equivalent to approximately HK\$101.7 billion and HK\$27.3 billion were denominated in RMB and other currencies, accounting for 79% and 21% of the total amount, respectively.

During the reporting period, 10 new funds were launched under primary market, with aggregate AUM equivalent to approximately HK\$18 billion. Focusing on innovative technology, green economy and people's livelihood, drawing upon the integration of industry and finance and relying on its existing strategic industrial platforms, CEL established a number of funds. To name a few, the "Everbright Belt & Road Green Investment Fund" achieved the initial fundraising size of RMB3.03 billion at first closing and contributed to Belt and Road Initiative, ESG and other relevant fields; the Mezzanine Fund III realised a fundraising scale of RMB2.52 billion and continued to focus on fields such as people's livelihood and new consumerism; and a dedicated fund for the CALC perpetual bonds of US\$230 million was established for the furtherance of its aircraft full life-cycle business. EBT Investment Fund I (with a size of RMB1,015 million) and EBT Investment Fund III (with a size of RMB2,024 million) were jointly established with Terminus to further promote the wide utilisation of artificial intelligence and Internet of Things. With the diversified fund structures, capabilities on the full value chain and cross-border deployment, CEL is constantly reinforcing its leading position in the cross-border asset management industry in China.

### Representative Primary Market Funds Established in 2020

Name of Funds	Time of Establishment	Currency	Amount in Original Currency (in hundred million)	Amount in HK\$ (in hundred million)
Everbright Belt & Road Green Investment Fund	April 2020	RMB	30.3	36
Hunan Maixin Fund (Mezzanine III Feeder Fund)	April 2020	RMB	11.01	13.08
CEL Global Real Estate Fund	June 2020	US\$	5.29	41.01
Domestic Mezzanine Fund III	June 2020	RMB	14.19	16.86
CALC Perpetual Bond Dedicated Funds	December 2020	US\$	2.3	17.83
EBT Investment Fund I	December 2020	RMB	10.15	12.06
EBT Investment Fund III	December 2020	RMB	20.24	24.05
CEL Binhua Shuimu Industry Investment Fund	December 2020	RMB	6.11	7.26
Donghu CEL Fintech Innovation Fund	December 2020	RMB	3	3.56

#### *Real Estate Investment and Asset Management Platform*

As of the end of 2020, Everbright Jiabao managed 41 projects through its real estate investment and asset management platform, EBA Investments, with AUM scale of approximately RMB46.9 billion.

At the beginning of 2020, the COVID-19 pandemic posed challenges to various businesses of Everbright Jiabao. Everbright Jiabao actively provided supports by government's requirements on prevention and control of the pandemic, took the initiative to assume social responsibilities, and worked with the tenants to overcome temporary operating difficulties. After the pandemic was under control, Everbright Jiabao actively promoted the resumption of work and production in many aspects. Everbright Jiabao focused on improving active management capabilities for its existing assets to achieve stable project operation; continuously optimised the existing capital structure, reduced financing costs through multiple capital channels, and strived to improve the economic benefits of shareholders and investors; and continued to strengthen system construction and fully implemented risk management and control measures so as to further enhance risk prevention capabilities. Looking ahead, the real estate segment will gradually transform its management model to "capital-light" management so as to leverage its own advantages and capitalise on the trends and opportunities of property management of China's real estate industry, thereby increasing the value of existing property assets in China and improving people's well-beings and livelihood.

During the year, Everbright Jiabao and EBA Investments continued with its business deployment of its self-owned brand “IMIX Park” and launched a new Art Park IMIX Park product line at the end of 2020, aiming to meet people’s new social needs and renovate urban space under the new consumption trend. As of 31 December 2020, through active management and asset-light output mode, Everbright Jiabao and EBA Investments had a total of 19 commercial projects under management and under construction under the brands including IMIX Park, with a total construction area of approximately 2 million sq.m. During the same period, Everbright Jiabao continued to promote the innovative real estate asset management business, and successfully issued “EBAM-EBA Investments Commercial Real Estate ABS III of Xi’an IMIX Park” in September 2020, the final product under the RMB10 billion shelf-registered commercial REITs scheme. So far, the total issue size under the shelf-registered commercial REITs series under the management of Everbright Jiabao and EBA Investments had reached RMB8.9 billion. This successful issuance of shelf-registered REITs also gave play to the advantages of synergy and coordination among financial sector companies under the Everbright Group. In August 2020, Zhuhai EBA Yida Management Centre, L.P. (“EBA Yida”) was established with a total scale of approximately RMB4 billion, where EBA (Beijing) Asset Management Co., Ltd. acts as the general partner and serves as EBA Yida’s executive manager, responsible for the operation and management of EBA Yida. EBA Yida was established to use appropriate channels and methods to invest the properties of the partnership in real estate projects, primarily for urban renewal, focusing on investing in first-tier cities in China as well as second- and third-tier cities with a healthy and well-developed real estate market in China.

<b>Name of Key Projects</b>	<b>Business Type</b>	<b>Location</b>	<b>Investment Type</b>
Beijing Zhongguancun Project	Commercial	Beijing	Convertible bonds
Chongqing Chaotianmen Project	Complex	Chongqing	Fund interests
EBA Center Project	Complex	Shanghai	Fund interests
Parkview Place	Office	Beijing	Fund interests
EBA Center Hongqiao Project	Complex	Shanghai	Fund interests

## *Secondary Market Funds*

As of December 2020, CEL's secondary market team managed 27 funds and accounts with a total committed capital of approximately HK\$26.3 billion. By drawing upon its own advantages, the secondary market team has built a diversified one-stop product platform with the Company's years of cross-border experience. The product lines cover Asian credit bond hedge funds, Asian convertible bond hedge funds, overseas Greater China equity hedge funds, domestic A+H share long-only strategies (including PE funds and institutional outsourcing), PIPE funds and investment advisory business. In terms of product categories, fixed income products, equity products, PIPE products, New Third Board (NEEQ) market funds accounted for 72%, 21%, 6% and 1% of the total amount respectively.

In respect of fixed income products, CEL has diversified product lines covering overseas funds, QDII management accounts, overseas management accounts and asset securitisation products. Our flagship product "Everbright Dynamic Bond Fund" has recorded good performance over years, while its AUM exceeded US\$430 million as of the end of 2020. Since its launch in December 2012, the fund has delivered a net of fees return in USD of 64.72% and an annualised return of 6.4%. During the reporting period, the fund received the "Three-year Overseas Golden Bull Private Equity Investment Manager (Fixed Income Strategy)" award by China Securities Journal and the "Asia Bonds (3 Years)" award by Insights & Mandate.

Everbright China Focus Fund, a Greater China long-only absolute return fund and the flagship product within the equity category, had reached a fund size of US\$70 million. In 2020, it achieved a net of fees return of 39.96%. In comparison, the Hang Seng Index fell by 4.89% and CSI 300 Index rose by 25.51% over the same period. Since its launch in January 2014, Everbright China Focus Fund has achieved an aggregate net of fees return of 216.79% with an annualised return of 17.91%. During the reporting period, it received the "China Hedge Fund (3 Years)" award by Insights & Mandate.

CEL's secondary market team also actively participated in collaboration with the relevant business units under Everbright Group to develop in-depth synergistic coordination. Upon serving as an investment adviser to manage a public bond fund "Everbright Income Focus Fund" for Everbright Sun Hung Kai in Hong Kong and successfully introducing funds from well-known domestic insurance groups, the team achieved a net of fees return of 6.25%, with an annualised return of 5.93%. In addition, leveraging the distribution cooperation with Everbright Sun Hung Kai's wealth management business, CEL successfully launched its flagship product, Everbright Dynamic Bond Fund, which has received subscription by local high-net-worth client base in Hong Kong.

### *Funds-of-Funds (“FoFs”)*

CEL’s FoFs invested in funds launched and managed by CEL and also in external sub-funds with proven track records and robust governance and their direct investment projects. As of the end of 2020, CEL’s FoFs team managed 8 FoFs with AUM of over RMB23.1 billion. In 2020, the FoFs continued to target the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and other strategic areas in China, and improved its investment deployment in central China, eastern China and southern China, attracting government agencies in many strategic regions in China to become LP investors of the FoFs. The development model of FoFs had been widely recognised by many local governments. As of the end of 2020, FoFs’ investment amount in sub-funds and equity investment projects amounted to approximately RMB10.2 billion. A total of 36 projects in FoFs’ investment portfolio were listed, 40% of which were successfully listed in the STAR Market. Notably, the Chemclin Diagnostics project received the “Top 10 Best Private Equity Investment Cases in China” award by Chinese Venture. In 2020, to recognise its excellent investment track record and good credit history, CEL’s FoFs were among the first batch of the “Red List of Trustworthy Market-oriented FoFs” for Chinese equity investment fund managers jointly released by the Venture Capital Profession Commission of Science and Technology Financial Promotion Association of China and the China Fund of Funds Union, and has become one of the seven market-based FOFs selected in the first batch of winners, fully demonstrating the management advantages and investment capabilities of CEL’s FoFs.

As at the end of 2020, the FoFs products are listed below:

<b>Name of Funds</b>	<b>Time of Establishment</b>	<b>Currency</b>	<b>Amount in Original Currency (in hundred million)</b>
Multi-strategy Alternative Investment Fund	February 2012	RMB	50
CEL-CMB Multi-strategy Equity Investment Fund-of-Funds	March 2017	RMB	50
CEL Hunan Fund-of-Funds	August 2018	RMB	51
CEL Jiangsu Liyang Fund-of-Funds	November 2018	RMB	20
Taizhou CEL Big Health Industry Fund	November 2019	RMB	10
Guangzhou CEL Guangzhou-Hong Kong-Macao Youth Venture Fund-of-Funds	December 2019	RMB	10
CEL Suzhou Fund-of-Funds	December 2019	RMB	15
CEL Ganzhou Fund-of-Funds	November 2020	RMB	25
<b>Total</b>			<b>231</b>

## *Principal Investments Business*

The Group strives to achieve the following 3 objectives through its principal investment: (1) strategic industry platforms: fostering strategic industries and investment platforms; (2) financial investments: maintaining flexible liquidity management through investment in structured financing products and obtaining stable interest income; participating in equity and related financial investments to capitalise on the co-investment opportunities brought by the fund management business, or as reserve projects for the purpose of accommodating the fund management business in setting up new fund products to match the needs of investor's capital; (3) cornerstone investments: holding a portion of the equity interest in China Everbright Bank and Everbright Securities.

As of the end of December 2020, the Principal Investments Business managed 70 post-investment projects with an aggregate amount of approximately HK\$40.4 billion. Among these, the total carrying amount of equity interest in CALC, Everbright Senior Healthcare and Terminus held by CEL was approximately HK\$5.8 billion; the fair value of financial investments was approximately HK\$14.6 billion; the fair value of the cornerstone investments in China Everbright Bank was HK\$7.5 billion, and the carrying amount of Everbright Securities accounted for as an associate was HK\$12.5 billion.

<b>Principal investment</b> (in HK\$ hundred million)	<b>2020 year-end</b>	2019 year-end
– Strategic Industry Platforms	<b>58</b>	45
– Financial Investments	<b>146</b>	157
– Cornerstone Investments	<b>200</b>	190
<b>Total</b>	<b>404</b>	<b>392</b>

## **Strategic Industry Platforms**

### *Aircraft Leasing*

CALC, one of CEL's key strategic industry platform investments, is a one-stop full life-cycle solutions provider for global airlines. CALC's scope of business includes regular operations such as aircraft operating leasing, purchasing and leaseback and structured financing, value-added services such as fleet planning, fleet upgrading, aircraft disassembling and parts selling. It also elevates aircraft asset value through flexible aircraft asset management.

The COVID-19 pandemic posed unprecedented challenges to the global aviation industry in 2020. The number of flights dropped significantly amid travel control imposed by various countries, and the industry faced consolidation and reshuffling pressures under this general landscape. Airlines suffered the most severe blow, and the revenues and earnings were hard hit. Meanwhile, delivery of new aircraft by aircraft manufactures substantially decreased by 45% year-on-year in 2020 due to a sharp reduction in demand, and consignment was forced to be postponed. The global aviation industry was gloomy overall.

Having witnessed a very challenging year under such circumstances, CALC focused on the future market trend of imbalanced supply and demand and continued to strengthen its capacity in global aircraft operating leasing business, further adding 40 brand new Airbus A321neo, a narrow-body aircraft well received by the market, from aircraft on order. Development in areas such as fleet mix, maintenance of client relations, light-asset model and whole-industry-chain operations continued to be stable on the back of outstanding management standards. According to the November 2020 data of aviation information service provider Cirium, CALC ranked first among the world's large-scale lessors with 95% of its fleet in service. Its own fleet maintained an aircraft utilisation ratio of 99%, and with a high share of narrow-body aircraft of approximately 91%, it was classified in the category with the lowest risk coefficient among listed leasing operators of a similar nature. As an industry enterprise, CALC not only offers aircraft leasing service to cater for clients' needs, but also gives full play to the business edge of the whole-industry-chain approach, consolidates professional disposal solutions for old and dilapidated aircraft, and seals package deals for large Chinese airline clients in respect of aircraft sale and leaseback and retirement and disposal, conducive to controlling lease surrender risk amid the pandemic. As at the end of the reporting period, CALC had 128 aircraft in total, including 103 owned and 25 managed aircraft; during the reporting period, CALC delivered 10 aircraft and completed the disposal of 18 aircraft; and maintained a high overall rate of flight resumption. However, as share of losses and provision was made on investment in Aviation Synergy Ltd. of approximately HK\$0.2 billion due to the pandemic and the volatile exchange rate fluctuation of RMB against USD resulted in a loss of approximately HK\$0.3 billion, consolidated profit attributable to shareholders of CALC recorded a decrease of 63% to HK\$0.33 billion compared with that of 2019.

### *Everbright Senior Healthcare*

In response to the COVID-19 pandemic in 2020, Everbright Senior Healthcare executed the strategy of strictly preventing the pandemic and cautiously seeking business expansion. As a result, none of the elderly clients in the facilities or its employees were infected, and steady progression in safe production, project expansion and operation were achieved. As of the end of 2020, Everbright Senior Healthcare had already expanded into 45 cities in more than 10 provinces, was managing over 140 elderly-care centres with over 28,000 beds, representing an increase of 7,000 beds or 33% as compared to 2019 and ranking among one of the top domestic elderly-care institutes in terms of the number of beds.

In 2020, Everbright Senior Healthcare continued to acquire high-quality projects through low-cost methods such as acquisition by investment, private operation of publicly constructed projects and entrusted management. For the first time, it has achieved business expansion under the consultancy-management-output model and established the continuous care for retirement (CCRC) community. In addition to horizontal expansion, Everbright Senior Healthcare has also aggressively completed the deployment in the vertical industrial chain, including the establishment of elderly-friendly furniture companies, senior care service training institutions, etc. During the year, Everbright Senior Healthcare completed the formulation of the service standard system, and made positive progress in the construction of intelligent senior care, with its brand influence widely recognised by the industry. In 2020, it was awarded “Top 5 Elderly Care Service Brand” at the Fifth Elderly Care Industry Lujiazui Summit as well as “Top 10 Community Senior Care Brands in China” and “Top 10 Innovative Senior Care Brands in China” at the Forum on the Development of China International Senior Care Industry.

### *Artificial Internet of Things (“AIoT”)*

In 2020, Terminus launched the AI CITY strategy which focuses on the new infrastructure and integrates Terminus’s unique AIoT technology and solutions to build a new type of intelligent city featuring “City (as the Hardware Unit) + Intelligent City Operating System + Application Ecology” in its capacity of the creator of the digital ecosystem. The AI CITY strategy has been successfully implemented in Chongqing, Wuhan, Deyang and other cities, leading global cities to intelligent upgrades. As a result, it is gaining increasing influence and has been widely recognized by both domestic and overseas market. During the year, Terminus became one of the world’s 12 official chief partners for the Expo 2020 Dubai. As the only chief partner from China, Terminus exclusively undertook the Expo’s all-round AI-powered robot solutions and the AIoT full-scene business for the Expo’s future zone, thereby effectively breaking into the international market.

During the reporting period, Terminus had cumulatively applied for nearly 1,000 patents (including 584 invention patents), won a total of 170 awards from well-known institutions at home and abroad, was selected in Gartner's report for 6 consecutive occasions and listed among the "Global Unicorns" in the Hurun China Rich List, ranking 33rd in the global artificial intelligence industry. Terminus is highly recognised in the industry, which is also evidenced by various awards it won, including the "2020 Ram Charan Management Practice Award" issued by Harvard Business Review and SAIL's annual TOP 30 for 2020 (being the highest honour of the World Artificial Intelligence Conference).

During the reporting period, Terminus completed a new round of financing and introduced Investcorp, a world-renowned strategic investor, achieving a significant appreciation in valuation.

### **Financial Investments**

CEL's financial investments with its own capital cover the following aspects: (1) investment: based on the investment/co-investment opportunities brought by the Group's funds and extensive business network, investing in the equity or debt of unlisted companies; (2) supporting the early stage development of the Group's fund business to complete fund reserve projects or provide short-term loan financing through its own funds; (3) investing in structured financing products with balanced returns and liquidity.

As of the end of 2020, CEL's financial investments amounted to HK\$14.6 billion, with the aggregate valuation of top 10 projects amounting to HK\$7.4 billion. During the reporting period, the major exited (or partially exited) financial investment projects included Qingdao Port International (HK\$370 million, with an IRR of approximately 15%), Hope Education (HK\$470 million, with an IRR of approximately 50%) and Arctic Green (HK\$360 million, with an IRR of approximately 15%), which increased the Company's investment income in a challenging operating environment brought by the pandemic, and has provided a better support on CEL's liquidity.

### **Cornerstone Investments**

As of 31 December 2020, the carrying amount of certain equity interests in Everbright Securities and China Everbright Bank held by the Group each accounted for more than 5% of the Group's total assets and the two investments were regarded as significant investments for the Group. These two investments held by the Group accounted for in aggregate 40% and 21% of the Group's net assets and total assets, respectively.

### *Everbright Securities (601788.SH)*

Established in 1996 with its headquarter in Shanghai, Everbright Securities was one of the first 3 innovative pilot securities firms approved by the China Securities Regulatory Commission. As of 31 December 2020, the Group held 960 million A shares in Everbright Securities, representing 20.83% of its total share capital, with an investment cost of HK\$1,504 million. Everbright Securities is an associate of the Group. The carrying amount of the shares held by the Group was HK\$12.5 billion, accounting for 25% and 13% of the Group's net assets and total assets respectively. Based on the closing price of RMB18.52 per share as at 31 December 2020, the fair value of the shares in Everbright Securities held by the Group was HK\$21.1 billion. In 2020, Everbright Securities actively seized market opportunities and remained disciplined to value investment with active management and committed to serving the real economy, and the revenue in securities investment, asset management and investment banking business achieved a substantial growth. During the reporting period, the Group's share of profit from Everbright Securities as an associate was HK\$564 million, representing a year-on-year increase of 301%. In 2020, CEL revitalised the assets of Everbright Securities, and good results were achieved. A gain of HK\$251 million was recorded from disposal of a portion of the shares in Everbright Securities during the year.

### *China Everbright Bank (601818.SH)*

Established in August 1992 with its headquarter in Beijing, China Everbright Bank is a national joint-stock commercial bank approved by the State Council and the People's Bank of China. As of 31 December 2020, the Group held 1.57 billion A shares in China Everbright Bank, representing 2.91% of the total share capital of China Everbright Bank, with an investment cost of HK\$1,407 million. China Everbright Bank is accounted for as equity investments designated at fair value through other comprehensive income of the Group. Based on the closing price of RMB3.99 per share as at 31 December 2020, the carrying amount and fair value of the shares in China Everbright Bank held by the Group was HK\$7.5 billion, accounting for 15% and 8% of the Group's net assets and total assets respectively.

In 2020, China Everbright Bank stayed committed to "becoming a first-class wealth management bank". It was ranked No. 35 in the "Top 100 World Banks" by The Banker, a U.K. magazine in 2020, rising by 4 ranks as compared to the previous year. During the reporting period, the Group received dividend payments of HK\$366 million from China Everbright Bank, increased by 24% as compared with the same period last year.

## OUTLOOK

The global political and economic landscape is expected to experience significant transformation in the post-pandemic period, and the recovery of the global economy is going to be uncertain, prolonged, disperse, challenging and volatile. From the global economic perspective, IMF indicated in its World Economic Outlook Update published in January 2021, while 2021 will see a significant improvement in the global economy, it is mainly due to the low-base effect of the global economy in 2020, and the overall economy health remains uncertain. From the domestic economic perspective, China has achieved remarkable results in pandemic prevention and control and has increased public investment in coping with the pandemic; China's central bank has also provided appropriate liquidity support, which will drive a strong recovery of the Chinese economy. At the same time, Chinese government expected the GDP growth to reach over 6% in 2021. A new development initiative “domestic circulation, along with international dual circulation” is implemented well and gaining great traction, accelerating the transformation from an export-oriented economy to a domestic-oriented economy, from traditional manufacturing economy to high-end manufacturing and service-driven economy, from consumption interconnection to industry interconnection, from tech-import to domestic innovation. Meanwhile, the pandemic has also accelerated the dispersion between traditional and new economies, promoting the growth in healthcare, innovative technology, green initiatives, wealth management and lifestyle-driven sectors. Due to these significant transformations, new and humongous investment opportunities have been created for private equity institutions. In order to cope with the fast-changing economic and market environment, CEL plans to take the following measures:

**Executing strategy with confidence.** CEL will remain focused on the “asset management + investment + industry” growth strategy in 2021, and strive to improve its market-oriented, internationalization and professionalism capabilities. Meanwhile, CEL's main plot is to “remain innovative with proper risk management, focus on the performance improvement, embrace changes to drive transformation, and keep an open and strategic mind”. By executing the strategy and focusing on the main plot, CEL will strive to capture growth opportunities, cautiously overcome hurdles, further develop the cross-border asset management market, accelerate business structural transformation, and improve the value creation and profit generating capabilities. CEL is believed to be on track to accomplish the strategic goal—“become a world-leading cross-border asset management firm.”

**Enhancing the investment capability and investment returns.** In 2021, the Group will focus on value creation, further improve investment strategies and allocation, generate stronger profitability, and strive to achieve a growing scale. **Steadily increasing fundraising.** The Group will increase fundraising to expand AUM, by focusing on strategic regions, industrial capabilities and platforms, and sectors with great potentials, such as green economy, healthcare and innovative technology. **Optimizing asset structures.** The Group will place greater priority on the asset management business, and will capture market window to exit matured investment projects to enhance cash inflow, improve liquidity management, increase the capital use efficiency, and create a virtuous circle for value creation. CEL will optimize its asset structure by allocating more resources to the assets with stable income in order to steadily increase the ROE of the direct operating business. **Improving investment allocation.** The Group will focus on new areas to develop new competitive advantages. To capture the trend of wealth management, CEL will consider to invest in such areas as FinTech; to gain exposure to the digital and intelligent transformation of large enterprises and urban systems, CEL will invest in such areas as new infrastructure, 5G, AIoT, and artificial intelligence; to seize the post-pandemic growth opportunities, CEL will further increase investments in such areas as healthcare, full aircraft value-chain, and high-end intelligent manufacturing; and to capture the opportunities arising from the dual economic cycles, CEL will seriously consider tapping into Southeast Asia and the Middle East markets to enhance the cross-border presence, focusing on ESG and new infrastructure etc. **Revitalising cornerstone assets.** The Group will appropriately revitalise existing cornerstone assets so that CEL could increase seed capital resource to further develop asset management business. **Enhancing profit generating.** The Group will continuously diversify the allocation mix in order to improve the capital efficiency, and thus to increase the total return on capital and the Group's profitability.

**Further nurturing the existing industrial platforms with a competitive edge, and improving the synergy among all of the business units within the Everbright Group. Incubating promising industrial platforms, and stimulating the synergy between capital and industry capabilities.** CEL and its key industrial platforms will form an ecosystem through strategic alignment and resource sharing, in which all units within the ecosystem will support and empower each other and collaborate harmoniously. On the one hand, CEL's investment and asset management capabilities will provide key industrial platforms with capital resources and diversified support; on the other hand, the key industrial platforms will leverage its industry influence and strengths to support the Group to create differentiated fund products, and to drive the AUM growth, as well as improve the investment capabilities. In addition to the existing industrial platforms, the Group will seek new investment opportunities in emerging industries, and strive to cultivate a series of new platforms/projects with robust growth prospects, charting a unique path to industry-capital synergy model with CEL characteristics.

**Deepening the synergy and collaboration within the Everbright Group's ecosystem,** as well as focusing on the opportunities in the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Greater Bay Area and the countries in "One Belt and One Road" areas. CEL will promote strong collaboration with relevant government clients and strategic enterprise partners, and facilitate various innovative projects, so as to leverage each other's strengths and accomplish mutual benefits.

**Constantly enhancing operating efficiency.** In 2021, the Group will keep observing the fast-changing market trend, learn from the strategic peers, steadily enhance the "headquarter-driven capability", strengthen the corporate governance, further refine management, accelerate mechanism reform, and improve strategic decision making efficiency. CEL will continuously innovate and develop an integrated risk/finance/operating system, in order to enhance the operation and management efficiency, decision-making process, and risk management practice.

**Maintaining strong risk management and remaining disciplined.** In 2021, the Group will maintain a strong focus on risk management and margin of safety. In an era of uncertainty, the Group will continue to execute the strategy with caution and confidence, prepare in advance for any challenges, conduct scientific research to yield more precise decisions, strengthen risk management over its existing and new investment portfolios, develop better risk management system, keep a balance between market-driven and professionalism, and innovate with proper risk management. Therefore, CEL could confidently and effectively prevent and control any potential risks.

In light of the year of Ox's hard-working spirit, CEL is aspired to commit to excellence and to achieve positive transformation. In the post-pandemic era, CEL will strategically position itself in the new growth era, execute strategy with confidence, strive to capture market opportunities, actively promote the "Everbright" philosophy, and serve the new paradigm and post-pandemic world with an alleviated purpose. In the future, CEL will continue to grow confidently, transform into a more "capital-light" asset management business model, and is believed that will gradually achieve the strategic goal of "becoming a world-leading cross-border asset management firm."

## **FINANCIAL POSITION**

As at 31 December 2020, the Group's total assets amounted to HK\$97 billion with net assets amounted to HK\$49.4 billion. Equity attributable to equity shareholders of CEL per share was HK\$27, increased by 9.2% compared with the end of 2019. As at 31 December 2020, the Group's interest-bearing debt ratio decreased to 63.9% (31 December 2019: 70.7%).

## **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 2020, the Group had cash and bank balances of HK\$9.3 billion, increased by HK\$2 billion compared with the end of 2019. Currently, most of the Group's cash, representing 84%, 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 2020, the Group had banking facilities of HK\$27.3 billion, of which HK\$8.4 billion had not been utilised. The banking facilities were of one to twelve years terms. The Group had outstanding bank loan of HK\$18.9 billion, of which HK\$15.3 billion was unsecured, decreased by HK\$0.1 billion compared with the end of 2019. The Group had issued corporate bonds with outstanding principal amount of HK\$12.7 billion. The interest bearing borrowings were mainly denominated in Renminbi, representing about 49% of the total, and the remaining were mainly denominated in Hong Kong dollars, United States dollars and Singapore dollars. As at 31 December 2020, approximately 55% of the Group's total principal amount of borrowing were at floating rates and the remaining 45% were at fixed rates. The maturity profile of the Group's borrowings is set out in note 19 of the Notes to the Financial Statements in this announcement.

## **PLEDGE OF ASSETS**

As at 31 December 2020, restricted bank balances of approximately HK\$65.7 million were pledged to the banks for sales of mortgaged properties to customers and interest reserve account on borrowings, and approximately HK\$373.5 million were used to secure banking facilities and other borrowings granted to the Group entities. Investment properties, shares and inventories with carrying value of approximately HK\$4,645 million, HK\$1,527 million and HK\$425 million respectively are mortgaged to secure certain bank loans granted to the Group. 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 2020, assets deposited with the prime brokers included HK\$1,798 million and HK\$72 million which formed part of the Group's trading securities and debtors respectively.

## **EMPLOYEES**

As at 31 December 2020, the Group's headquarters and fully owned subsidiaries had 307 full-time employees. 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.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

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 objectives are 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 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, accounts receivable, debt investments and unlisted derivative financial instruments.

*Credit risk management framework*

The Group has formulated a comprehensive set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that may arise. These policies, procedures and credit risk limits are regularly reviewed and updated to cope with the changes in market conditions and business strategies.

The Group's organisational structure establishes a clear set of authority and responsibility for monitoring compliance with policies, procedures and limits.

The Chief Risk Officer, who reports directly to the Audit and Risk Management Committee, takes charge of credit risk management and is also responsible for the control of credit risk exposures of the Group in line with the credit risk management principles and requirements set by the Group.

Credit risk management is embedded within all business units of the Group. The first line of defense against undesirable outcomes is the business function and the respective line managers. Department heads of their own business areas take the lead role with respect to implementing and maintaining appropriate credit risk controls. Risk Management Department, which is independent from the business units, is responsible for the management of credit risks and it is an ongoing process for identifying, measuring, monitoring and controlling credit risk to ensure effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures. It is also responsible for the design, development and maintenance of the Group's internal rating system and it ensures that the system complies with the relevant regulatory requirements. Credit risk and internal control reviews are approved by the Chief Risk Officer and reported to Audit and Risk Management Committee quarterly.

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.

Accounts receivable 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 prolonged COVID-19 pandemic has caused significant adverse impact to the global economy during 2020. While the pandemic remains volatile, the operating and financial situations of borrowers will continue to suffer from pressure. In response to the adverse impact and the uncertainty from the pandemic, the Group reviewed and updated the forward looking macroeconomic factors used in ECL computation to reflect the uncertain economic outlook. The Group will closely monitor the situation brought by the COVID-19 pandemic on the economy.

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 by the Risk Management Department. The instruments used to manage interest rate risk include time deposits and interest rate linked derivatives, if necessary.

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

**(d) Currency risk**

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

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

**(e) Equity price risk**

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

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

The performance of the Group's investments in unquoted equity instruments is assessed periodically, based on the information available to the Group.

## **FINAL DIVIDEND**

The Board has resolved to recommend the payment of a final dividend of HK\$0.35 per share for the year ended 31 December 2020 (2019: HK\$0.23 per share). Together with the interim dividend of HK\$0.14 per share already paid, the aggregate amount of dividends for the year is HK\$0.49 per share (2019: HK\$0.48 per share).

The final dividend, subject to approval at the forthcoming annual general meeting, is expected to be paid on Thursday, 17 June 2021 to those shareholders whose names appear on the register of members of the Company on Monday, 7 June 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 24 May 2021 to Thursday, 27 May 2021, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 21 May 2021.

The register of members of the Company will also be closed from Friday, 4 June 2021 to Monday, 7 June 2021, both days inclusive, during which no transfer of shares will be registered. Shareholders are reminded that, in order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration at the Company's Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 3 June 2021.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on Thursday, 27 May 2021.

## **IMPORTANT EVENT AFTER THE REPORTING PERIOD**

Details of the Group's important event after the reporting period are set out in note 22 to the financial statements contained in this announcement.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **CORPORATE GOVERNANCE CODE**

The Company has complied with all code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2020, save for the deviation from code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. As disclosed in the announcement of the Company dated 25 September 2020, the Company has deviated from code provision A.2.1 of the CG Code upon the appointment of Dr. Zhao Wei, the Chief Executive Officer, as the Chairman of the Board. Notwithstanding the deviation from code provision A.2.1, the Board considers that with the support of the management of the Group, vesting the roles of both the Chairman and the Chief Executive Officer by the same person can facilitate strong leadership, promote efficient execution of the Group's business strategies and boost effectiveness of its operation. The Board reviews the above arrangement from time to time and will consider to separate the two roles as and when appropriate.

## **DIRECTORS' SECURITIES TRANSACTION**

The Company has adopted its own “Code for Securities Transactions by Directors and Relevant Employees” (the “Code”) on terms 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 to govern the securities transactions of the Directors and relevant employees. Following a specific enquiry made by the Company, all Directors confirmed that they have complied with the required standard set out in both the Code and the Model Code throughout the year ended 31 December 2020.

## **REVIEW BY AUDIT AND RISK MANAGEMENT COMMITTEE**

The Audit and Risk Management Committee 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 2020.

By order of the Board  
**China Everbright Limited**  
**Zhao Wei**  
*Chairman and Chief Executive Officer*

Hong Kong, 18 March 2021

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

### **Executive Directors:**

Dr. Zhao Wei (*Chairman and  
Chief Executive Officer*)  
Mr. Zhang Mingao  
Mr. Tang Chi Chun Richard  
Mr. Yin Lianchen

### **Independent Non-executive Directors:**

Dr. Lin Zhijun  
Dr. Chung Shui Ming Timpson  
Mr. Law Cheuk Kin Stephen