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CHINA EVERBRIGHT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 165)

ANNOUNCEMENT

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

INTERIM RESULTS

The board of directors (the “Board” or the “Director(s)”) of China Everbright Limited (the “Company” or “CEL”) presents the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021. The interim financial report is unaudited, but has been reviewed by Ernst & Young (the auditor of the Company) in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, whose review report will be included in the interim report to be sent to shareholders. The interim financial report has also been reviewed by the Company’s Audit and Risk Management Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Note	1 January to 30 June 2021 HK\$'000	1 January to 30 June 2020 HK\$'000
Turnover	3	<u>15,276,825</u>	<u>9,069,012</u>
Income from contracts with customers	3	328,161	195,588
Income from investments	3	2,062,938	1,164,768
Income from other sources	3	(2,721)	13,926
Impairment losses		(14,100)	–
Operating expenses		<u>(541,418)</u>	<u>(487,128)</u>
Profit from operations	4	1,832,860	887,154
Finance costs		(459,784)	(571,749)
Share of profits less losses of associates	9	724,408	625,694
Share of profits less losses of joint ventures	10	<u>19,983</u>	<u>13,369</u>
Profit before taxation		2,117,467	954,468
Income tax	5	<u>(303,983)</u>	<u>(286,625)</u>
Profit for the period		<u>1,813,484</u>	<u>667,843</u>
Attributable to:			
Equity shareholders of the Company		1,780,742	765,169
Holders of senior perpetual capital securities	21	43,992	–
Non-controlling interests		<u>(11,250)</u>	<u>(97,326)</u>
Profit for the period		<u>1,813,484</u>	<u>667,843</u>
Basic and diluted earnings per share	7	<u>HK\$1.057</u>	<u>HK\$0.454</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	1 January to 30 June 2021	1 January to 30 June 2020
Note	HK\$'000	HK\$'000
Profit for the period	1,813,484	667,843
Other comprehensive income for the period:		
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	(311,271)	(1,578,810)
Items that may be reclassified subsequently to profit or loss		
– Share of other comprehensive income and effect of foreign currency translation of associates	208,688	(471,884)
– Share of other comprehensive income and effect of foreign currency translation of joint ventures	10,985	(26,966)
– Other net movement in exchange reserve	67,887	(393,199)
	(23,711)	(2,470,859)
Total comprehensive income for the period	1,789,773	(1,803,016)
Attributable to:		
Equity shareholders of the Company	1,835,156	(1,613,771)
Holders of senior perpetual capital securities	43,992	–
Non-controlling interests	(89,375)	(189,245)
Total comprehensive income for the period	1,789,773	(1,803,016)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021 HK\$'000	31 December 2020 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment		593,144	599,783
Investment properties	8	5,527,008	5,547,897
Investments in associates	9	19,987,908	19,235,318
Investments in joint ventures	10	1,049,669	1,045,747
Equity investments designated at fair value through other comprehensive income	11	7,144,690	7,455,961
Financial assets at fair value through profit or loss	12	44,611,750	40,869,046
Advances to customers	13	589,278	34,297
Finance lease receivables		59,679	59,408
		<u>79,563,126</u>	<u>74,847,457</u>
Current assets			
Inventories		1,732,337	1,733,681
Financial assets at fair value through profit or loss	12	2,885,813	3,064,010
Advances to customers	13	2,661,281	2,140,516
Debtors, deposits, prepayments and others	14	3,108,936	2,712,276
Trading securities	15	3,332,854	3,177,475
Cash and cash equivalents		12,732,780	9,299,385
		<u>26,454,001</u>	<u>22,127,343</u>
Current liabilities			
Trading securities	15	(740,814)	(666,014)
Creditors, deposits received and accrued charges	16	(3,281,388)	(3,385,568)
Bank loans	17	(9,445,774)	(9,493,274)
Bonds payable	18	(5,001,290)	(4,946,410)
Other financial liabilities	19	(779,015)	(736,440)
Lease liabilities		(39,512)	(32,027)
Provision for taxation		(1,061,824)	(926,832)
		<u>(20,349,617)</u>	<u>(20,186,565)</u>
Net current assets		<u>6,104,384</u>	<u>1,940,778</u>
Total assets less current liabilities		<u>85,667,510</u>	<u>76,788,235</u>

		30 June 2021 HK\$'000	31 December 2020 HK\$'000
	<i>Note</i>		
Non-current liabilities			
Bank loans	17	(11,758,510)	(9,415,374)
Bonds payable	18	(12,619,005)	(7,723,040)
Other financial liabilities	19	(7,780,431)	(7,448,750)
Notes payable		(27,000)	(27,000)
Lease liabilities		(66,596)	(73,802)
Deferred tax liabilities		(2,644,942)	(2,667,288)
		<u>(34,896,484)</u>	<u>(27,355,254)</u>
NET ASSETS		<u>50,771,026</u>	<u>49,432,981</u>
CAPITAL AND RESERVES			
Share capital	20	9,618,097	9,618,097
Reserves		<u>37,075,220</u>	<u>35,818,920</u>
Total equity attributable to equity shareholders of the Company		46,693,317	45,437,017
Senior perpetual capital securities	21	2,340,945	2,341,276
Non-controlling interests		<u>1,736,764</u>	<u>1,654,688</u>
TOTAL EQUITY		<u>50,771,026</u>	<u>49,432,981</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

Attributable to equity shareholders of the Company											
		Option	Investment						Senior	Non-	Total
	Share	premium	revaluation	Goodwill	Capital	Exchange	Retained		perpetual	controlling	Total
	capital	reserve	reserve	reserve	reserve	reserve	earnings	Total	capital	interests	equity
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2021	9,618,097	1,242	6,048,772	(666,409)	(99,887)	1,093,041	29,442,161	45,437,017	2,341,276	1,654,688	49,432,981
Net movement by non-controlling shareholders	-	-	-	-	-	-	-	-	-	171,451	171,451
Dividends paid 6(b)	-	-	-	-	-	-	(589,839)	(589,839)	-	-	(589,839)
Transaction between non-controlling shareholders	-	-	-	-	2,283	-	-	2,283	-	-	2,283
Share of capital reserve of an associate	-	-	-	-	8,700	-	-	8,700	-	-	8,700
Profit for the period	-	-	-	-	-	-	1,780,742	1,780,742	43,992	(11,250)	1,813,484
Other comprehensive income for the period	-	-	(311,271)	-	-	365,685	-	54,414	-	(78,125)	(23,711)
Distribution to holders of senior perpetual capital securities 21	-	-	-	-	-	-	-	-	(44,323)	-	(44,323)
As at 30 June 2021	9,618,097	1,242	5,737,501	(666,409)	(88,904)	1,458,726	30,633,064	46,693,317	2,340,945	1,736,764	50,771,026

For the six months ended 30 June 2020

As at 1 January 2020	9,618,097	1,242	6,335,552	(668,499)	(557,671)	(938,926)	27,801,530	41,591,325	-	2,196,045	43,787,370
Net movement by non-controlling shareholders	-	-	-	-	-	-	-	-	-	(66,356)	(66,356)
Dividends paid 6(b)	-	-	-	-	-	-	(387,608)	(387,608)	-	-	(387,608)
Transaction between non-controlling shareholders	-	-	-	-	112	-	-	112	-	-	112
Share of capital reserve of associates	-	-	-	-	(8,620)	-	-	(8,620)	-	-	(8,620)
Profit for the period	-	-	-	-	-	-	765,169	765,169	-	(97,326)	667,843
Other comprehensive income for the period	-	-	(1,578,810)	-	-	(800,130)	-	(2,378,940)	-	(91,919)	(2,470,859)
As at 30 June 2020	9,618,097	1,242	4,756,742	(668,499)	(566,179)	(1,739,056)	28,179,091	39,581,438	-	1,940,444	41,521,882

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	1 January to 30 June 2021 HK\$'000	1 January to 30 June 2020 HK\$'000
Operating activities		
Cash (used in)/generated from operations	(2,502,048)	2,111,389
Tax paid	(247,030)	(342,805)
Net cash (outflow)/inflow from operating activities	(2,749,078)	1,768,584
Investing activities		
Repayment of loans from an associate	–	700,000
Divestment in a joint venture	–	34,243
Decrease in restricted cash	27,402	22,955
Net cash (outflow)/inflow from losing control of subsidiaries	(463,741)	15,142
Other cash flows arising from investing activities	96,147	459,313
Net cash (outflow)/inflow from investing activities	(340,192)	1,231,653
Financing activities		
Net borrowings/(repayments) of bank loans	2,295,636	(550,726)
Net proceeds from issuance and repayment of bonds payable	4,807,240	–
Repayment of lease liabilities	(20,373)	(27,650)
Interest paid	(204,457)	(361,276)
Dividends paid	(589,839)	(387,608)
Dividends paid to non-controlling shareholders	(48,228)	(17,228)
Distribution to holders of senior perpetual capital securities	(44,323)	–
Other cash flows arising from/(used in) financing activities	199,817	(46,187)
Net cash inflow/(outflow) from financing activities	6,395,473	(1,390,675)
Net increase in cash and cash equivalents	3,306,203	1,609,562
Cash and cash equivalents		
Beginning of the period	8,860,137	6,842,766
Exchange rate adjustments	154,594	(164,375)
End of the period	12,320,934	8,287,953
Analysis of the balances of cash and cash equivalents		
Bank balances and cash-general amounts	12,732,780	8,687,815
Restricted cash	(411,846)	(399,862)
End of the period	12,320,934	8,287,953

LOSING CONTROL OF SUBSIDIARIES

During the six months ended 30 June 2021, the Group lost control on certain subsidiaries and recognised the remaining interests as investment in an associate and financial assets at fair value through profit or loss. The fair value of the assets and liabilities disposed of were as follows:

	1 January to 30 June 2021 HK\$'000
Consideration from losing control of subsidiaries	–
Less: Cash of subsidiaries	<u>(463,741)</u>
Net cash outflow from losing control of subsidiaries	<u>(463,741)</u>
Less: Debtors, deposits, prepayments and others	(23,032)
Less: Financial assets at fair value through profit or loss	(824,862)
Less: Property, plant and equipment	(1)
Add: Creditors, deposits received and accrued charges	6,681
Add: Other financial liabilities	<u>520,537</u>
	(784,418)
Add: Investment in an associate	59,408
Add: Financial assets at fair value through profit or loss	<u>751,682</u>
Gain on losing control of subsidiaries	<u>26,672</u>

During the six months ended 30 June 2020, the Group disposed 76% of the equity interests in a subsidiary to associates and recognised the remaining interests as investment in an associate. The fair value of the assets and liabilities disposed of were as follows:

	1 January to 30 June 2020 HK\$'000
Consideration from losing control of a subsidiary	49,571
Less: Receivable of proceeds	(32,939)
Less: Cash of a subsidiary	<u>(1,490)</u>
Net cash inflow from losing control of a subsidiary	<u>15,142</u>
Add: Receivable of proceeds	32,939
Less: Debtors, deposits, prepayments and others	(16,283)
Less: Property, plant and equipment	(256)
Less: Right-of-use assets	(388)
Add: Lease liabilities	247
Add: Creditors, deposits received and accrued charges	<u>10,081</u>
	41,482
Add: Investment in an associate	<u>15,654</u>
Gain on losing control of a subsidiary	<u>57,136</u>

NOTES TO THE FINANCIAL REPORT

1. BASIS OF PRESENTATION

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised by the Board for issuance on 26 August 2021.

The financial information relating to the year ended 31 December 2020 that is included in the unaudited interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company’s auditor, Ernst & Young, has reported on those financial statements. The auditor’s report was 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 407(3) of the Hong Kong Companies Ordinance.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for those described in note 2.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions</i>

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

Amendment to HKFRS 16

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment 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 sale proceeds from disposal of trading securities of secondary market investments, in which the turnover of derivatives is defined as the absolute net profit or loss.

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

	1 January to 30 June 2021 HK\$'000	1 January to 30 June 2020 HK\$'000
Income from contracts with customers		
Recognised over time		
Management fee income	181,029	128,365
Net rental income from investment properties	85,997	51,927
Recognised at a point of time		
Consultancy fee and performance fee income	57,770	12,547
Sales of inventories	25,398	10,162
Cost of sales	(22,033)	(7,413)
	<u>328,161</u>	<u>195,588</u>
Income from investments		
Interest income		
Financial assets not at fair value through profit or loss		
Bank deposits	70,721	30,313
Advances to customers	138,770	139,009
Debt investments	34,998	49,305
Dividend income		
Financial assets at fair value through profit or loss and trading securities	195,711	83,202
Equity investments designated at fair value through other comprehensive income	402,562	365,877
Realised gain on investments		
Net realised gain on financial assets at fair value through profit or loss	451,201	485,086
Realised gain on trading securities	134,776	44,707
Unrealised gain/(loss) on investments		
Change of unrealised gain/(loss) on financial assets at fair value through profit or loss	683,186	(39,911)
Change of unrealised loss on trading securities	(75,659)	(49,956)
Others		
Gain on losing control of subsidiaries	26,672	57,136
	<u>2,062,938</u>	<u>1,164,768</u>
Income from other sources		
Net deficit on revaluation of investment properties	(109,626)	–
Rental income from finance leases	3,420	3,183
Exchange differences, net	66,365	(20,924)
Others	37,120	31,667
	<u>(2,721)</u>	<u>13,926</u>

4. PROFIT FROM OPERATIONS

Profit from operations is stated after charging the following:

	1 January to 30 June 2021 HK\$'000	1 January to 30 June 2020 HK\$'000
Depreciation and amortisation expenses	33,015	35,985
Employee expenses (wages, bonuses and allowances)	<u>242,397</u>	<u>150,202</u>

5. INCOME TAX

The provision for Hong Kong profits tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the six months ended 30 June 2021. Taxation for overseas subsidiaries is calculated at the appropriate current rates of taxation in the relevant jurisdictions.

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

	1 January to 30 June 2021 HK\$'000	1 January to 30 June 2020 HK\$'000
Current taxation		
– Hong Kong profits tax	23,640	2,130
– Overseas taxation	320,624	122,714
– Over provision in prior years	–	(595)
Deferred taxation		
– Deferred taxation relating to the reversal and origination of temporary differences	<u>(40,281)</u>	<u>162,376</u>
Income tax	<u>303,983</u>	<u>286,625</u>

6. DIVIDENDS

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

	1 January to 30 June 2021 HK\$'000	1 January to 30 June 2020 HK\$'000
– Interim dividend declared after the end of the reporting period of HK\$0.28 (2020: HK\$0.14) per share	<u>471,871</u>	<u>235,936</u>

Subsequent to the period end, the Board of Directors declared an interim dividend of HK\$0.28 per share (2020: HK\$0.14 per share) for the six months ended 30 June 2021. The declared 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 period

	1 January to 30 June 2021 HK\$'000	1 January to 30 June 2020 HK\$'000
– Final dividend in respect of the previous financial year, approved and paid during the period of HK\$0.35 (2020: HK\$0.23) per share	<u>589,839</u>	<u>387,608</u>

7. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the six months ended 30 June 2021 is based on the profit attributable to equity shareholders of the Company of HK\$1,780,742,000 (six months ended 30 June 2020: HK\$765,169,000) and the weighted average number of 1,685,253,712 shares (six months ended 30 June 2020: 1,685,253,712 shares) in issue during the period.

8. INVESTMENT PROPERTIES

	2021 HK\$'000	2020 HK\$'000
As at 1 January	5,547,897	5,190,773
Additions	–	72,043
Disposals	–	(11,870)
Net deficit on revaluation of investment properties	(109,626)	(23,675)
Reclassification	28,275	–
Exchange adjustment	<u>60,462</u>	<u>320,626</u>
As at 30 June 2021/31 December 2020	<u>5,527,008</u>	<u>5,547,897</u>

9. INVESTMENTS IN ASSOCIATES

(a) Investments in associates

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Carrying value, net (<i>note</i>)	<u>19,987,908</u>	<u>19,235,318</u>
Market value of shares listed in mainland China	22,243,216	22,891,427
Market value of shares listed in Hong Kong	<u>1,622,061</u>	<u>1,790,413</u>

Note:

As at 30 June 2021, the Group's net carrying value of its investment in Everbright Jiabao Co., Ltd ("Jiabao Group"), an associate of the Group, amounted to HK\$4,147,832,000 (31 December 2020: HK\$4,069,036,000).

As at 30 June 2021, 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 reassessed the recoverable amount of Jiabao Group as at 30 June 2021 and concluded that no additional impairment loss is required for the period.

During the year ended 31 December 2020, the Group has engaged an external specialist to estimate the value-in-use of Jiabao Group using a discounted cash flow model. As at 31 December 2020, the recoverable amount of Jiabao Group was lower than the carrying value, hence, impairment loss on investment in an associate amounting to HK\$178,000,000 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% and the perpetual growth rate was 2.2%.

(b) As at 30 June 2021, particulars of principal associates of the Group are as follows:

Name of associate	Place of incorporation/ operation	Principal activities	Percentage of equity interest held by the Company
Everbright Securities Company Limited [#] (“Everbright Securities”)	The PRC	Securities operations (<i>note 1</i>)	20.83%
China Aircraft Leasing Group Holdings Limited ^{##} (“CALGH”)	Cayman Islands	Investment holding (<i>note 2</i>)	37.24%*
Jiabao Group ^{###}	The PRC	Real estate development/real estate assets 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 30 June 2021 was equivalent to HK\$20,650,406,000 (31 December 2020: HK\$21,134,810,000).

^{##} Market value of the listed shares in Hong Kong as at 30 June 2021 was HK\$1,622,061,000 (31 December 2020: HK\$1,790,413,000).

^{###} Market value of the listed shares in mainland China as at 30 June 2021 was equivalent to HK\$1,592,810,000 (31 December 2020: HK\$1,756,617,000).

* Held indirectly

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

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 six months ended 30 June 2021, the Group’s equity interest in CALGH was increased from 37.11% to 37.24% as a result of CALGH’s share buy-back.

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 30 June 2021, the Group did not control the board of directors of ESH. Upon the completion of the procedures of share subscription by an investor with investment amount of RMB50 million, the Group’s equity interests in ESH stands at 49.29%.

For the six months ended 30 June 2021, Everbright Securities has recorded an after tax profit of RMB2,304 million (six months ended 30 June 2020: RMB2,222 million) and the Group's share of profit under equity accounting method, amounted to HK\$565 million (six months ended 30 June 2020: HK\$506 million).

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

10. INVESTMENTS IN JOINT VENTURES

(a) Investments in joint ventures

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Carrying value, net	<u>1,049,669</u>	<u>1,045,747</u>

(b) As at 30 June 2021, 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.	The PRC	Venture capital and investment advisory services (<i>note 1</i>)	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 (<i>note 2</i>)	48.0%*
CEL Capital Prestige Asset Management Co., Ltd.	The PRC	Assets management service (<i>note 3</i>)	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 service 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 service to an industrial sector investment fund in mainland China.

All of the above joint ventures are unlisted corporate entities whose quoted market prices were not available as at 30 June 2021. They are accounted for using the equity method in the condensed consolidated financial statements.

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
At fair value:		
Listed equity securities		
– outside Hong Kong	<u>7,144,690</u>	<u>7,455,961</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 (31 December 2020: HK\$1,407,189,000).

No strategic investment was disposed of during the six months ended 30 June 2021, and there were no transfers of any cumulative gain or loss within equity relating to this investment.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Non-current assets		
At fair value:		
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	34,758,436	33,024,755
Unlisted preference shares		
– outside Hong Kong	6,505,379	6,489,350
Unlisted debt securities		
– outside Hong Kong	<u>3,347,935</u>	<u>1,354,941</u>
	<u>44,611,750</u>	<u>40,869,046</u>
Current assets		
At fair value:		
Listed equity securities		
– in Hong Kong	1,495,930	1,836,294
– outside Hong Kong	<u>1,389,883</u>	<u>1,227,716</u>
	<u>2,885,813</u>	<u>3,064,010</u>

As at 30 June 2021, the Group’s listed and unlisted equity securities amounting to a fair value of HK\$32,602,755,000 (31 December 2020: HK\$30,486,793,000) 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.

During the six months ended 30 June 2021, 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 condensed consolidated statement of profit or loss at the beginning and the end of the period/year is as follows:

	2021 HK\$'000	2020 HK\$'000
As at 1 January	245,013	245,306
Released during the period/year	–	(14,150)
Exchange adjustment	2,699	13,857
	<hr/>	<hr/>
As at 30 June 2021/31 December 2020	247,712	245,013
	<hr/>	<hr/>

13. ADVANCES TO CUSTOMERS

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Non-current assets		
Term loans to customers		
– secured	571,722	–
– unsecured	21,346	34,297
	<hr/>	<hr/>
	593,068	34,297
	<hr/>	<hr/>
Current assets		
Term loans to customers		
– secured	1,832,596	1,820,137
– unsecured	1,153,991	635,375
	<hr/>	<hr/>
	2,986,587	2,455,512
	<hr/>	<hr/>
Total term loans to customers	3,579,655	2,489,809
	<hr/>	<hr/>
Less: Impairment allowance	(329,096)	(314,996)
	<hr/>	<hr/>
Net carrying value	3,250,559	2,174,813
	<hr/>	<hr/>

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

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

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 January 2021	8,442	6,558	299,996	314,996
Other changes (including new assets and derecognised assets)	<u>12,588</u>	<u>1,512</u>	<u>–</u>	<u>14,100</u>
As at 30 June 2021	<u>21,030</u>	<u>8,070</u>	<u>299,996</u>	<u>329,096</u>
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 January 2020	–	–	299,996	299,996
Other changes (including new assets and derecognised assets)	<u>8,442</u>	<u>6,558</u>	<u>–</u>	<u>15,000</u>
As at 31 December 2020	<u>8,442</u>	<u>6,558</u>	<u>299,996</u>	<u>314,996</u>

Except for the above impairment allowance of HK\$329,096,000 (31 December 2020: HK\$314,996,000), there were no other significant receivables, that were aged, requiring significant impairment provision as at 30 June 2021 and 31 December 2020.

14. DEBTORS, DEPOSITS, PREPAYMENTS AND OTHERS

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Accounts receivable	1,065,500	745,341
Deposits, prepayments, interest and other receivables and others	<u>2,128,159</u>	<u>2,051,658</u>
	3,193,659	2,796,999
Less: impairment allowance	<u>(84,723)</u>	<u>(84,723)</u>
	<u>3,108,936</u>	<u>2,712,276</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, prepayments and others approximated to their fair values as at 30 June 2021 and 31 December 2020.

Their recoverability was assessed with reference to the credit status of the debtors, and impairment allowance of HK\$84,723,000 (31 December 2020: HK\$84,723,000) was provided as at 30 June 2021.

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

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 January	–	–	84,723	84,723
Other changes (including new assets and derecognised assets)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
As at 30 June 2021/31 December 2020	<u>–</u>	<u>–</u>	<u>84,723</u>	<u>84,723</u>

There was no impairment allowance provided for the six months ended 30 June 2021 and for the year ended 31 December 2020.

15. TRADING SECURITIES

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Current assets		
At fair value:		
Listed equity securities		
– in Hong Kong	626,653	581,072
– outside Hong Kong	288,874	391,913
Listed debt securities		
– in Hong Kong	818,544	150,657
– outside Hong Kong	1,023,736	2,006,401
Unlisted debt securities	552,649	14,858
Derivatives		
– listed	602	586
– unlisted	21,796	31,988
	<u>3,332,854</u>	<u>3,177,475</u>
Current liabilities		
At fair value:		
Listed equity securities		
– in Hong Kong	(356,784)	(373,405)
– outside Hong Kong	(93,769)	(221,374)
Listed debt securities		
– in Hong Kong	(104,823)	–
– outside Hong Kong	(93,661)	(11,017)
Funds	(25,478)	–
Derivatives		
– listed	(3,751)	–
– unlisted	(62,548)	(60,218)
	<u>(740,814)</u>	<u>(666,014)</u>

16. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Creditors, deposits received and accrued charges	<u>3,281,388</u>	<u>3,385,568</u>

17. BANK LOANS

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Repayable details as follows:		
Within 1 year	9,445,774	9,493,274
1 to 2 years	1,510,686	1,876,622
2 to 5 years	9,537,259	6,753,086
Over 5 years	<u>710,565</u>	<u>785,666</u>
	<u>21,204,284</u>	<u>18,908,648</u>

As at 30 June 2021, the bank loans were secured as follows:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Bank loans:		
– secured	3,278,928	3,648,872
– unsecured	<u>17,925,356</u>	<u>15,259,776</u>
	<u>21,204,284</u>	<u>18,908,648</u>

As at 30 June 2021, the bank loans are secured by:

- (a) Mortgage over certain investment properties with carrying value of approximately HK\$4,699 million (31 December 2020: approximately HK\$4,645 million);
- (b) Mortgage over certain inventories with carrying value of approximately HK\$430 million (31 December 2020: approximately HK\$425 million);
- (c) Pledged by the equity interests in subsidiaries with carrying value of approximately HK\$1,543 million (31 December 2020: approximately HK\$1,527 million); and
- (d) Bank balances pledged amounting to approximately HK\$159 million (31 December 2020: approximately HK\$154 million).

18. BONDS PAYABLE

	2021 HK\$'000	2020 HK\$'000
As at 1 January	12,669,450	11,917,865
New issuance during the period/year	5,001,290	–
Repayment during the period/year	(194,050)	–
Exchange adjustment	143,605	751,585
	<u>17,620,295</u>	<u>12,669,450</u>
As at 30 June 2021/31 December 2020		
Current liabilities	5,001,290	4,946,410
Non-current liabilities	12,619,005	7,723,040
	<u>17,620,295</u>	<u>12,669,450</u>

19. OTHER FINANCIAL LIABILITIES

		30 June 2021 HK\$'000	31 December 2020 HK\$'000
	<i>Note</i>		
Current:			
Financial liabilities to third party investors	(a)	<u>779,015</u>	<u>736,440</u>
Non-current:			
Financial liabilities to third party investors	(a)	<u>7,780,431</u>	<u>7,448,750</u>

- (a) Included in the above are mainly balances arising from part of the Group's normal course of business. The Group sets up investment funds that issue redeemable units to third party investors. The third party investors can redeem the invested units for cash after the end of the commitment period. The redeemable units held by third party investors were classified as other financial liabilities in the condensed consolidated statement of financial position.

20. SHARE CAPITAL

	30 June 2021		31 December 2020	
	No. of shares ('000)	HK\$'000	No. of shares ('000)	HK\$'000
Ordinary shares issued and fully paid:				
End of period/year	<u>1,685,254</u>	<u>9,618,097</u>	<u>1,685,254</u>	<u>9,618,097</u>

21. 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	<u>–</u>	<u>15,736</u>	<u>15,736</u>
As at 31 December 2020 and 1 January 2021	<u>2,325,540</u>	<u>15,736</u>	<u>2,341,276</u>
Profit attributable to holders of senior perpetual capital securities	–	43,992	43,992
Distribution to holders of senior perpetual capital securities	<u>–</u>	<u>(44,323)</u>	<u>(44,323)</u>
As at 30 June 2021	<u>2,325,540</u>	<u>15,405</u>	<u>2,340,945</u>

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.

22. MATURITY PROFILE

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

As at 30 June 2021

	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
Assets							
– Advances to customers	–	–	48,847	2,612,434	589,278	–	3,250,559
– Equity investments designated at fair value through other comprehensive income	7,144,690	–	–	–	–	–	7,144,690
– Financial assets at fair value through profit or loss	44,149,628	–	–	–	3,347,935	–	47,497,563
– Trading securities	937,925	–	2,394,929	–	–	–	3,332,854
– Cash and cash equivalents	–	11,126,080	1,402,007	204,693	–	–	12,732,780
	<u>52,232,243</u>	<u>11,126,080</u>	<u>3,845,783</u>	<u>2,817,127</u>	<u>3,937,213</u>	<u>–</u>	<u>73,958,446</u>
Liabilities							
– Trading securities	(542,330)	–	(198,484)	–	–	–	(740,814)
– Bank loans	–	–	(1,418,255)	(8,027,519)	(11,047,945)	(710,565)	(21,204,284)
– Bonds payable	–	–	(4,807,240)	(194,050)	(12,619,005)	–	(17,620,295)
– Other financial liabilities	–	–	–	(779,015)	(2,041,557)	(5,738,874)	(8,559,446)
– Notes payable	–	–	–	–	(27,000)	–	(27,000)
– Lease liabilities	–	–	(10,066)	(29,446)	(66,596)	–	(106,108)
	<u>(542,330)</u>	<u>–</u>	<u>(6,434,045)</u>	<u>(9,030,030)</u>	<u>(25,802,103)</u>	<u>(6,449,439)</u>	<u>(48,257,947)</u>

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
Assets							
– Advances to customers	–	–	31,505	2,109,011	34,297	–	2,174,813
– 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
– Trading securities	1,005,559	–	2,171,916	–	–	–	3,177,475
– 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>
Liabilities							
– Trading securities	(654,997)	–	(11,017)	–	–	–	(666,014)
– Bank loans	–	–	(2,470,873)	(7,022,401)	(8,629,708)	(785,666)	(18,908,648)
– Bonds payable	–	–	–	(4,946,410)	(7,723,040)	–	(12,669,450)
– Other financial liabilities	–	–	–	(736,440)	(941,016)	(6,507,734)	(8,185,190)
– 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>

23. MATERIAL RELATED PARTY TRANSACTIONS

- (a) Except as disclosed elsewhere in the financial statements, the following transactions were entered into with related parties during the period:

	1 January to 30 June 2021 HK\$'000	1 January to 30 June 2020 HK\$'000
Management fee income from associates exempted from applying the equity method and was recognised as a financial asset at fair value through profit or loss	46,398	58,775
Bank interest income from a related party bank	54,881	25,213
Consultancy and other service income from an associate*	454	477
Dividend income from:		
– associates exempted from applying the equity method and was recognised as a financial asset at fair value through profit or loss	66,267	42,002
– a fellow subsidiary/a related party bank	402,562	365,877
Bank loans interest expense to a related party bank	29,633	32,288
Consultancy fee to an associate*	11,851	12,485

* These related party transactions also constitute continuing connected transactions as defined in Rules 14A of the Listing Rules.

- (b) Except as disclosed elsewhere in the financial statements, included in the condensed consolidated statement of financial position are the following balances with related parties:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Amounts due from associates (included in debtors, deposits, prepayments and others)	12,685	42,227
Bank deposits with a related party bank (including bank deposits in trust accounts)	8,252,702	4,664,783
Bank loans from a related party bank	(3,492,670)	(3,492,278)
Interests in collective investment schemes issued by an associate (included in financial assets at fair value through profit or loss)	3,435,880	3,342,834

Amounts due from associates arising in the ordinary course of securities trading business are unsecured, interest-bearing and repayable on demand.

(c) Transactions with other PRC state-owned entities

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (“State-owned Entities”). Transactions with other State-owned Entities include but are not limited to: lending and deposit taking; issuance and redemption of bonds issued by other State-owned Entities; purchase, sale and leases of properties and other assets; and rendering and receiving of utilities and other services.

The Group is of the opinion that none of these transactions are material related party transactions that require separate disclosures.

- (d)** Certain related party transactions above constitute connected transactions or continuing connected transactions as defined in chapter 14A of the Listing Rules.

24. COMMITMENTS

(a) Capital commitments

As at 30 June 2021, the Group had capital commitments as follows:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Contracted but not provided for:		
– consolidated structured entities	4,371,884	4,151,810
– unconsolidated structured entities	5,907,778	5,404,149
– unlisted equity investments	289,131	307,971
	<u>10,568,793</u>	<u>9,863,930</u>

- (b) As at 30 June 2021, the undiscounted lease payments receivable by the Group in the future periods under non-cancellable operating leases with its tenants are as follows:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Within 1 year	191,346	175,254
After 1 year but within 2 years	149,967	137,403
After 2 years but within 3 years	121,311	108,655
After 3 years but within 4 years	93,442	84,897
After 4 years but within 5 years	86,646	76,447
After 5 years	133,796	151,380
	<u>776,508</u>	<u>734,036</u>

(c) **Off-balance sheet exposure**

The fair values and the contractual or notional amounts of the Group's trading derivatives outstanding at 30 June 2021 are detailed as follows:

	Fair value assets/ (liabilities)		Contractual/notional amounts	
	30 June 2021 HK\$'000	31 December 2020 HK\$'000	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Assets derivative contracts	22,398	32,574	819,269	1,093,051
Liabilities derivative contracts	<u>(66,299)</u>	<u>(60,218)</u>	<u>2,689,503</u>	<u>2,158,756</u>

The financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices of the underlying instruments relative to their terms.

Notional amounts of these financial instruments provide a basis for comparison with instruments recognised on the condensed consolidated statement of financial position but do not necessarily indicate the amount of future cash flows involved or the current fair value of the instruments and, therefore, are not a representation of the Group's exposure to the credit or price risks.

25. FINANCIAL INSTRUMENTS

Risk management is of fundamental importance to the business operation of the Group. The major types of risk inherent in the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The Group's risk management 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 Vice President (in charge of Risk) and is executed by the Risk Management Department. This functional structure can assess, identify and document the Group's risk profile and to ensure that the business units focus, control and systematically avoid potential risks in various business areas. 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 receivables, 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 Vice President (in charge of Risk), 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 Vice President (in charge of Risk) and reported to the 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 customers. 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 receivables mainly arise from the Group's investment activities. Receivables from brokers and counterparties are normally repayable on demand. The Group has established procedures in the selection of brokers/counterparties with sound credit ratings and/or reputation.

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

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

Expected Credit Loss ("ECL") Methodology

The Group's policy requires the review of individual outstanding amounts at least quarterly or more regularly depending on individual circumstances or market conditions.

The Group has adopted HKFRS 9, where the impairment requirements under HKFRS 9 are based on an ECL model.

The Group applies the general approach for impairment of financial assets except for impairment of accounts receivable (included in debtors and deposits) and finance lease receivables, to which the simplified approach was applied. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Lifetime ECL – not credit-impaired and Stage 3: Lifetime ECL – credit-impaired.

When determining whether the risk of default has increased significantly since initial recognition, the Group incorporates both quantitative and qualitative assessment such as number of days past due, the Group's historical experience, and market benchmark. When estimating the ECL on term loans to customers, the Group has incorporated forward-looking economic information through the use of industry trend and experienced credit judgement to reflect the qualitative factors, and through the use of probability-weighted scenarios. The measurement of ECL is the product of the financial instrument's probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") discounted at the effective interest rate to the reporting date. As at 30 June 2021, ECL of unsecured financial asset is measured based on PD at a range of 0.16% to 38.33% (31 December 2020: 0.17% to 36.64%) and LGD at a range of 58% to 84% (31 December 2020: 58% to 70%).

ECL is measured at an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Group adopts three economic scenarios in the ECL measurement to meet the requirements of HKFRS 9. The "Base" scenario represents a most likely outcome and the other two scenarios, referred to as "Best" scenario and "Worse" scenario, represent less likely outcomes which are more optimistic or more pessimistic compared to Base scenario.

The probability assigned for each scenario reflects the Group's view for the economic environment, which implements the Group's prudent and consistent credit strategy of ensuring the adequacy of impairment allowance. A higher probability is assigned to the Base scenario to reflect the most likely outcome and a lower probability is assigned to the Best and Worse scenarios to reflect the less likely outcomes. The probabilities assigned are updated in each quarter.

The Audit and Risk Management Committee is responsible for approving ECL methodology. The Risk Management Department is responsible for the implementation and maintenance of ECL methodology including models review and parameters update on a regular basis. If there is any change in ECL methodology, the Group will go through a proper approval process.

The prolonged COVID-19 pandemic has caused significant adverse impact to the global economy during the period. 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 continue to 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, Australian 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 (see note 15), equity investments designated at fair value through other comprehensive income (see note 11) and financial assets at fair value through profit or loss (see note 12). Other than unlisted securities held for medium to long-term 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.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group uses professional independent valuers to perform valuations of certain financial instruments, including financial assets at fair value through profit or loss which are categorised into Level 3 of the fair value hierarchy. The professional valuer reports directly to the Vice President (in charge of Finance & Accounting), the Vice President (in charge of Risk) and the Audit and Risk Management Committee. Valuation reports with analysis of changes in fair value measurement are prepared by the professional valuers at each interim and annual reporting date, and are reviewed and approved by the Vice President (in charge of Finance & Accounting), the Vice President (in charge of Risk) and the Audit and Risk Management Committee. Discussion of the valuation process and results with the Vice President (in charge of Finance & Accounting) and the Audit and Risk Management Committee is held twice a year to coincide with the reporting dates.

In addition to the above valuers, the Group also makes reference to the valuation reports performed by other professional valuers per last reporting period and adjusted with updated parameters to ascertain the fair values of certain investments with underlying interests in real estate investments and some other private equity investments.

As at 30 June 2021

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement Assets				
Equity investments designated at fair value through other comprehensive income:				
– Listed equity securities	7,144,690	–	–	7,144,690
Financial assets designated at fair value through profit or loss:				
– Listed equity securities	2,419,264	–	466,549	2,885,813
– Unlisted equity securities/collective investment schemes	–	–	34,758,436	34,758,436
– Unlisted preference shares	–	–	6,505,379	6,505,379
– Unlisted debt securities	–	–	3,347,935	3,347,935
	2,419,264	–	45,078,299	47,497,563
Trading securities:				
– Listed equity securities	915,527	–	–	915,527
– Listed debt securities	–	1,842,280	–	1,842,280
– Unlisted debt securities	–	552,649	–	552,649
– Listed derivatives	–	602	–	602
– Unlisted derivatives	–	21,796	–	21,796
	915,527	2,417,327	–	3,332,854
Liabilities				
Trading securities:				
– Listed equity securities	(450,553)	–	–	(450,553)
– Listed debt security	–	(198,484)	–	(198,484)
– Funds	(25,478)	–	–	(25,478)
– Listed derivatives	–	(3,751)	–	(3,751)
– Unlisted derivatives	–	(62,548)	–	(62,548)
	(476,031)	(264,783)	–	(740,814)

As at 31 December 2020

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement				
Assets				
Equity investments designated at fair value through other comprehensive income:				
– Listed equity securities	7,455,961	–	–	7,455,961
Financial assets at fair value through profit or loss:				
– Listed equity securities	3,064,010	–	–	3,064,010
– Unlisted equity securities/collective investment schemes	–	–	33,024,755	33,024,755
– Unlisted preference shares	–	–	6,489,350	6,489,350
– Unlisted debt securities	–	–	1,354,941	1,354,941
	3,064,010	–	40,869,046	43,933,056
Trading securities:				
– Listed equity securities	972,985	–	–	972,985
– Listed debt securities	–	2,157,058	–	2,157,058
– Unlisted debt securities	–	14,858	–	14,858
– Listed derivatives	–	586	–	586
– Unlisted derivatives	–	31,988	–	31,988
	972,985	2,204,490	–	3,177,475
	<u>11,492,956</u>	<u>2,204,490</u>	<u>40,869,046</u>	<u>54,566,492</u>
Liabilities				
Trading securities:				
– Listed equity securities	(594,779)	–	–	(594,779)
– Listed debt securities	–	(11,017)	–	(11,017)
– Unlisted derivatives	–	(60,218)	–	(60,218)
	<u>(594,779)</u>	<u>(71,235)</u>	<u>–</u>	<u>(666,014)</u>

During the six months ended 30 June 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets. During the year ended 31 December 2020, there were no transfers of fair value measurements between Level 1 and Level 2.

As at 31 December 2020, one financial assets at fair value through profit or loss with fair values of HK\$434,639,000 was previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As unadjusted quoted prices are available in the active market, the fair value measurement of these equity securities was accordingly transferred from Level 3 to Level 1 of the fair value hierarchy.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of listed and unlisted debt securities and derivatives in Level 2 is determined using broker quotes.

Information about Level 3 fair value measurements

As at 30 June 2021

Valuation techniques	Significant unobservable inputs	Range	Increase/(decrease) in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss HK\$'000
Market comparable companies	Discount for lack of marketability	20% to 30%	5%	(57,410)
			(5%)	57,410
	Market multiples	0.7 to 31.4	5%	194,642
			(5%)	(194,642)
Binomial model and equity allocation model	Discount rate	6.49% to 21.99%	5%	(4,942)
			(5%)	4,997
	Volatility	33.16% to 69.75%	5%	3,082
			(5%)	(3,962)
Put option model	Discount for lack of marketability for restricted shares	7.85% to 12.76%	5%	(3,095)
			(5%)	3,095

As at 31 December 2020

Valuation techniques	Significant unobservable inputs	Range	Increase/ (decrease) in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss HK\$'000
Market comparable companies	Discount for lack of marketability	20% to 30%	5%	(42,134)
			(5%)	42,134
	Market multiples	0.6 to 31.4	5%	117,129
			(5%)	(117,129)
Binomial model and equity allocation model	Discount rate	6.71% to 21.99%	5%	(4,313)
			(5%)	4,025
	Volatility	38.17% to 80.55%	5%	1,326
			(5%)	(1,937)

Other than using the recent transaction approach as the valuation technique in determining the fair value of Level 3 financial instruments, the valuation techniques in estimating the fair value of other financial instruments are described as follows:

The fair value of unquoted equity investments is estimated using an appropriate combination of:

- (1) making reference to capital statements, management information and valuation reports provided by third parties,
- (2) deducing from prices recently paid for similar assets, quoted market prices in active markets and the financial indicators of the transacted assets such as net book value and net operating profit; and
- (3) applying, if possible, price to earnings (“P/E”) ratios, price to book (“P/B”) ratios, enterprise value to earnings before interest, taxes, depreciation and amortisation (“EV/EBITDA”) ratios and enterprise value to sales (“EV/Sales”) ratios for similar listed companies adjusted to reflect the specific circumstances of the investments.

The Group has certain shares listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange, which are subject to restriction on sales for defined periods. The fair value measurement reflected the effect of such restriction with an adjustment to the quoted price of otherwise similar but unrestricted securities and the adjustment was referenced to put option models.

The fair value of preference shares and debt securities are estimated using the equity allocation model and discounted future cash flows respectively. Future cash flows are estimated based on management's best estimate of the amount it would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions. The discount rate used is a market rate for a similar instrument at the end of the reporting period. The fair value of an option contract is determined by applying an option valuation model such as the Black-Scholes valuation model. Inputs are based on market related data at the end of the reporting period.

The movements during the period in the balance of Level 3 financial instruments are as follows:

	Financial assets at fair value through profit or loss				
	Listed equity securities HK\$'000	Unlisted equity securities/ collective investment schemes HK\$'000	Unlisted preference shares HK\$'000	Unlisted debt securities HK\$'000	Total HK\$'000
As at 1 January 2020	797,907	27,361,443	4,731,775	830,881	33,722,006
Purchases	–	6,652,229	744,077	700,000	8,096,306
Net realised and unrealised gain/(loss) recognised in profit or loss and exchange alignment	(203,774)	1,073,073	1,775,759	(40,982)	2,604,076
Disposals	(159,494)	(2,061,990)	(664,695)	(232,524)	(3,118,703)
Reclassification	(434,639)	–	(97,566)	97,566	(434,639)
As at 31 December 2020 and 1 January 2021	<u>–</u>	<u>33,024,755</u>	<u>6,489,350</u>	<u>1,354,941</u>	<u>40,869,046</u>
Purchases	–	1,844,107	507,150	2,118,864	4,470,121
Net realised and unrealised gain/(loss) recognised in profit or loss and exchange alignment	(103,851)	1,833,199	106,760	(18,197)	1,817,911
Disposals	–	(1,781,816)	(189,290)	(107,673)	(2,078,779)
Reclassification	<u>570,400</u>	<u>(161,809)</u>	<u>(408,591)</u>	<u>–</u>	<u>–</u>
As at 30 June 2021	<u>466,549</u>	<u>34,758,436</u>	<u>6,505,379</u>	<u>3,347,935</u>	<u>45,078,299</u>

27. 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 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: Focus 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.

Business segments

For the six months ended 30 June 2021:

	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 contract with customers	135,583	43,606	15,600	–	–	133,372	–	328,161	328,161
Income from investments	773,215	215,842	200,871	–	28,279	442,169	402,562	2,062,938	2,062,938
Income from other sources	16,121	18,466	–	–	–	(37,308)	–	(2,721)	(2,721)
Total income	<u>924,919</u>	<u>277,914</u>	<u>216,471</u>	<u>–</u>	<u>28,279</u>	<u>538,233</u>	<u>402,562</u>	<u>2,388,378</u>	<u>2,388,378</u>
Segment operating results	817,129	213,513	206,312	(20)	28,279	288,588	402,562	1,956,363	1,956,363
Unallocated head office and corporate expenses									(583,287)
Share of profits less losses of associates	42,293	–	–	–	101,932	15,472	564,711	724,408	724,408
Share of profits less losses of joint ventures	10,978	–	–	9,474	–	(469)	–	19,983	19,983
Profit before taxation									<u>2,117,467</u>
Less: Non-controlling interests	(4,840)	(80,809)	–	–	–	96,899	–	11,250	
Segment results	<u>865,560</u>	<u>132,704</u>	<u>206,312</u>	<u>9,454</u>	<u>130,211</u>	<u>400,490</u>	<u>967,273</u>	<u>2,712,004</u>	

For the six months ended 30 June 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	96,175	29,392	10,776	–	–	59,245	–	195,588	195,588
Income from investments	(530,535)	(160,150)	195,680	–	172,429	1,121,467	365,877	1,164,768	1,164,768
Income from other sources	(469)	(6,854)	–	–	–	21,249	–	13,926	13,926
Total income	<u>(434,829)</u>	<u>(137,612)</u>	<u>206,456</u>	<u>–</u>	<u>172,429</u>	<u>1,201,961</u>	<u>365,877</u>	<u>1,374,282</u>	<u>1,374,282</u>
Segment operating results	(549,169)	(206,102)	190,886	(130)	158,807	968,939	365,877	929,108	929,108
Unallocated head office and corporate expenses									(613,703)
Share of profits less losses of associates	33,133	–	–	–	87,010	(793)	506,344	625,694	625,694
Share of profits less losses of joint ventures	3,749	–	–	9,620	–	–	–	13,369	13,369
Profit before taxation									<u>954,468</u>
Less: Non-controlling interests	30,683	23,216	2,231	–	–	41,196	–	97,326	
Segment results	<u>(481,604)</u>	<u>(182,886)</u>	<u>193,117</u>	<u>9,490</u>	<u>245,817</u>	<u>1,009,342</u>	<u>872,221</u>	<u>1,665,497</u>	

Other information

As at 30 June 2021:

	Fund Management Business				Principal Investments Business				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	Reportable segments total HK\$'000	
Segment assets	27,051,999	5,674,980	10,407,066	-	3,838,518	29,870,310	7,726,586	84,569,459	84,569,459
Investments in associates	4,209,675	-	-	-	2,341,084	468,096	12,969,053	19,987,908	19,987,908
Investments in joint ventures	217,781	-	-	829,689	-	2,199	-	1,049,669	1,049,669
Unallocated head office and corporate assets									410,091
Total assets									106,017,127
Segment liabilities	3,236,230	1,662,187	4,744,157	-	-	5,627,669	-	15,270,243	15,270,243
Unallocated head office and corporate liabilities									36,269,092
Provision for taxation									1,061,824
Deferred tax liabilities									2,644,942
Total liabilities									55,246,101

As at 31 December 2020:

	Fund Management Business				Principal Investments Business				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	Reportable segments total 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									96,974,800
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									2,667,288
Total liabilities									47,541,819

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, investments 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 investments in associates and joint ventures, the geographical location is based on the locations of operations.

	For the six months ended			For the six months ended		
	30 June 2021			30 June 2020		
	Hong Kong	Mainland	Total	Hong Kong	Mainland	Total
	and others	China		and others	China	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Income from contracts with customers	96,787	231,374	328,161	73,207	122,381	195,588
Income from investments	386,768	1,676,170	2,062,938	(550,753)	1,715,521	1,164,768
Income from other sources	88,513	(91,234)	(2,721)	(19,120)	33,046	13,926
	<u>572,068</u>	<u>1,816,310</u>	<u>2,388,378</u>	<u>(496,666)</u>	<u>1,870,948</u>	<u>1,374,282</u>
	For the six months ended			For the year ended		
	30 June 2021			31 December 2020		
	Hong Kong	Mainland	Total	Hong Kong	Mainland	Total
	and others	China		and others	China	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Specified non-current assets	<u>2,456,233</u>	<u>24,701,496</u>	<u>27,157,729</u>	<u>2,343,151</u>	<u>24,085,594</u>	<u>26,428,745</u>

28. LITIGATION

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 Group is involving in a legal proceeding (the "Litigation"). Certain amount of the Group's assets insignificant to its daily operations were preserved under the Litigation. 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 AND ANALYSIS

BUSINESS OVERVIEW

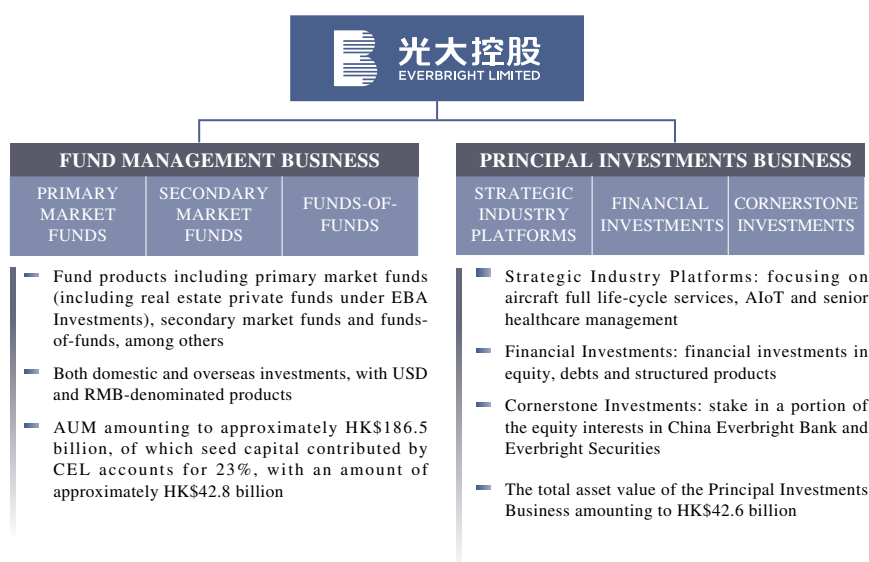
CEL is a leading cross-border asset management and investment company in China, and a company listed in Hong Kong with alternative asset management as the core business. China Everbright Group Ltd. (“Everbright Group”) is the largest shareholder of the Company, holding 49.74% of the shares of CEL.

With more than two decades of experience in cross-border asset management and private equity (“PE”) investment, and having been regarded as one of the top PE firms in China, CEL is committed to become “a world-leading cross-border asset management firm”. The Group’s key operating business comprises fund management and principal investment. While striving to develop fund management business, the Group also utilises its own funds to engage in both strategic investments and financial investments. CEL directly invests in and nurtures multiple industry platforms with promising growth potential in order to create a unique CEL business model with robust synergy between industrial and asset management capabilities, further achieving sustainable growth.

For Fund Management Business, as of 30 June 2021, the total assets under management (“AUM”)¹ of CEL was approximately HK\$186.5 billion, with 79 funds under management. Through various Primary Market Funds, Secondary Market Funds and Funds-of-Funds (“FoFs”) under its management, CEL has nurtured many valuable enterprises with high growth potential alongside with its investors. Based on the economic development needs of China, CEL also introduces the advantages from overseas technologies to Chinese market, providing comprehensive financial services to Chinese and overseas investors.

¹ Total assets under management refers to the committed capital of fund investors (including CEL as an investor).

In respect of Principal Investments Business, CEL nurtured China Aircraft Leasing Group Holdings Limited (“CALC”), the largest independent aircraft operating lessor in China; consolidated multiple mid-end to high-end senior healthcare enterprises to form a quality senior healthcare brand, China Everbright Senior Healthcare Company Limited (“Everbright Senior Healthcare”); incubated Chongqing Terminus Technology Co., Ltd. (“Terminus”), a unicorn company in the artificial intelligence and Internet of Things (“AIoT”) industry; and developed EBA Investments’ Real Estate Fund (“EBA Investments”)/Everbright Jiabao Co., Ltd. (“Everbright Jiabao”)², a leading real estate private equity fund enterprise in China. Meanwhile, CEL also invests in different financial assets to achieve a balanced return and liquidity in its principal investments. In addition, CEL holds a portion of the equity interests of China Everbright Bank Company Limited (“China Everbright Bank”) and Everbright Securities Company Limited (“Everbright Securities”) as cornerstone investments.



² Among these, EBA Investments is the real estate industry platform under the fund management business.

REVIEW AND ANALYSIS

Macro-economic and Industry Review

In the first half of 2021, due to the accelerated vaccination rate and the eased pandemic situation in European areas and the United States, the global economy showed an uneven recovery trend amidst volatility. With the accelerated recovery of production and consumption, trade in goods and services continued to grow. There was ample liquidity in the global financial market from an overall perspective; market interest rates remained relatively low; and the USD index fell from a peaking point. According to the World Bank's latest issue of the "Global Economic Prospects" in June 2021, the global economy in 2021 is expected to grow by 5.6% year-on-year, which is higher than the previous forecast. Compared with the previous rounds of economic recessions over the past eight decades, the growth rate under this recovery would be a new fastest record. However, as sharp rebound mainly took place in developed economies, the recovery process was uneven. Emerging markets and developing economies were still facing various challenges, such as low vaccination rates and the continued raging of mutated COVID-19 virus, posing pressure to global economic activities. As to the prospects for global economic growth, downside risks still remain, and the possible recurrence of the epidemic and financial pressure caused by high debts in emerging markets and developing economies should not be ignored. According to the World Bank's statistics, thanks to large-scale financial support, recovery of economic activities and other factors, the gross domestic product ("GDP") growth rates of major economies were relatively desirable. In particular, the GDP growth rate of the United States is expected to reach 6.8% in 2021; while among emerging markets and developing economies, China's GDP growth for 2021 is expected to be 8.5%.

With the gradual recovery of the global economy, the Matthew effect of the global private equity industry continued, and the fundraising and investment advantages of leading institutions have become more prominent. China's private equity industry is still facing a complex internal and external environment despite the improvement in its situation. According to the statistics and analysis of Zero2IPO Research Centre, in terms of fundraising, China's equity investment market has picked up, with a substantial increase in the number of small-scale funds. In the first half of 2021, China's equity market raised a total of RMB454,774 million, representing a year-on-year increase of 6.9%; and the number of newly established funds reached 1,941, representing a year-on-year increase of 58.2%. In terms of investment, thanks to the efficient fundraising exercises and China's effective prevention and control on COVID-19 virus, the investment market recovered significantly. The number of investment cases and the amount of investment in the first half of the year increased by 26.0% and 50.3% year-on-year to 4,230 cases and RMB470 billion respectively. In terms of exit, benefiting from the smooth running of China's registration-based system, the listing channel becomes increasingly smooth, and initial public offerings ("IPOs") remain the dominant exit method. In the first half of the year, 1,880 cases of exit were recorded in China's equity market, representing a year-on-year increase of 23.6%, of which IPOs accounted for 86.6%.

Business Review Highlights for the first half of 2021

In the first half of 2021, the Group maintained sound development in accordance with its established strategy, continued to focus on the development of cross-border asset management as its core business, strengthened the robust synergy among various invested industry platforms, and elevated its “market-oriented, international and professional” capabilities. Against the backdrop of economic recovery, the Group actively captured development opportunities and maintained persistent risk control, thereby achieving relatively considerable results. In 2021, the Group’s PEI 300 ranking was 75th, rising by 9 places as compared to that of last year. The Group’s AUM continued to increase. Meanwhile, the amount of total assets grew by 9% as compared to that at the end of last year, breaking through the level of HK\$100 billion for the first time. Various indicators including income, profit and return on equity (ROE) rebounded resiliently. Many investment projects from the funds under the Group’s management have been listed on the Shanghai Stock Exchange (STAR Market), Hong Kong Stock Exchange, New York Stock Exchange, Nasdaq and other exchanges. Huaan Zhangjiang Everbright Park Close-ended Infrastructure Securities Investment Fund (華安張江光大園封閉式基礎設施證券投資基金), jointly promoted by Everbright Jiabao/EBA Investments and Zhangjiang Hi-Tech, was officially listed on the Shanghai Stock Exchange, and became one of the first batch of infrastructure public REITs projects approved in the mainland China and the first infrastructure public REITs project approved in Shanghai. A good momentum has developed in terms of the orderly exit by funds, revitalisation of existing assets and optimisation of resource allocation. At the same time, the strategic industry platforms have been developing steadily. CALC has shown strong business resilience and ranked among the top ten in the world; Terminus maintained a rapid growth, with a substantial increase in valuation, and the robot it developed won the German iF Design Award; Everbright Senior Healthcare maintained its leading position among state-owned enterprises in terms of number of beds, and its management has been continuously strengthened.

In the first half of 2021, by focusing on Everbright Group’s strategic deployment of “three-universal and one-innovative”³ areas, the Group executed the “1-4-3”⁴ development strategy, under which it comprehensively improved its capabilities in “fundraising, investment, management and exit” and proactively captured investment opportunities in global markets by taking advantage of the favourable backdrop of the global economic recovery. The Group continued to promote transformation and development, strengthen corporate governance capabilities and optimise headquarters’ operations and management efficiency. The Group strengthened the industry-capital synergy with its industry platforms and reinforced the coordinated development with Everbright Group’s various business units. As a result, good progress had been made in terms of comprehensive strength, strategy execution and business performance.

³ The strategic deployment of “three-universal and one-innovative” areas proposed by Everbright Group refers to focusing on the industries of universal environmental protection, universal tourism, universal healthcare and innovative technology, and is characterised by its overall finance, the integration of industry and finance and the combined advantages of the mainland China and Hong Kong.

⁴ CEL’s “1-4-3” development strategy refers to taking alternative asset management business as a core business, further focusing on four key industries: aircraft full life-cycle services, real estate asset management, AIoT and senior healthcare management, with an aim to expand as the leading enterprises and synergise the development of the principal business, while improving the attributes of being market-oriented, professional and international to support the development of the principal business.

Achieving new progress in overall strength and strategic ranking	In 2021, the Group's PEI 300 ranking reached 75th, rising by 9 places as compared to 2020 and maintaining a good momentum of continued progress in strategic ranking.
Continuously improving core business and achieving excellent overall operating figures	<p>Continued growth of fundraising: during the reporting period, the Group's newly added AUM amounted to approximately HK\$3.7 billion, which increased the total AUM to HK\$186.5 billion, hitting a new record high;</p> <p>New breakthroughs achieved in asset size: total assets exceeded HK\$100 billion, representing an increase of 9% over the end of last year; net assets exceeded HK\$50 billion, representing an increase of 3% over the end of last year;</p> <p>Excellent overall financial performance: the Group achieved a total amount of income of HK\$3,133 million (the calculation method of which is set out in the note of page 51 of this announcement), and the profit attributable to shareholders of the Company was HK\$1,781 million, representing a year-on-year increase of 133%;</p> <p>Multi-channel exit of projects: in the first half of 2021, 9 "three-universal and one-innovative" projects were listed on the exchanges in the mainland China, Hong Kong and the United States by IPOs, leading the number of IPO projects to a record high in recent years.</p>
Continuously nurturing industry platforms, as well as promoting the synergy between industry platforms and asset management business	<p>CALC maintained its position as one of the world's top 10 aircraft lessors;</p> <p>The number of beds of Everbright Senior Healthcare reached approximately 30,000, maintaining a leading position in China;</p> <p>Terminus' robot won the German iF Design Award, and several representative projects were launched;</p> <p>EBA Investments was ranked the 1st of the "Top 10 Funds in terms of Comprehensive Strength among China Real Estate Funds" for seven consecutive years.</p>

Giving full play to the advantages of cross-border platforms, and achieving new breakthroughs in the domestic and international dual circulation

CALC placed a confirmed order for 30 ARJ21 series aircraft and an intended order for 30 aircraft with Commercial Aircraft Corporation of China (COMAC) to help domestically-produced aircraft expand into overseas markets;

The Group successfully issued RMB4 billion medium term notes in the China inter-bank market, which represented the largest panda bond issuance from a non-financial company in China's domestic bond market in the first half of 2021;

The US\$300 million senior perpetual capital securities issued in 2020 has been successfully listed on Chongwa (Macao) Financial Asset Exchange (MOX) in the first half of 2021.

Rich reserves of strategic projects secured in key areas, with new achievements made in the great domestic circulation

Beijing-Tianjin-Hebei region: the Group has a wealth of project reserves in the Beijing-Tianjin-Hebei region, with industries covering, amongst others, software and networks, retail, consumer goods, smart transportation, healthcare and integrated finance;

Yangtse River Delta region: in the first half of 2021, CEL realised its investments in 6 projects in the Yangtse River Delta region, with an aggregate amount of HK\$488 million, mainly in the fields of pharmaceuticals, biotechnology and life sciences, food and beverage and integrated finance;

Guangdong-Hong Kong-Macao Greater Bay Area: for supporting Hong Kong's technological transformation and development, the Group worked with Hong Kong Science & Technology Parks Corporation on launching Everbright Hong Kong Innovation Centre and CEL HK Innovation Fund, which focuses on the transformation of Hong Kong's achievements in applied sciences and new infrastructure fields.

Implementing the national strategy of “Emission Peak” and “Carbon Neutrality”, and actively participating in the promotion of Everbright Group’s goal of building “Green Everbright” in a comprehensive manner

The Group continued to push forward with its efforts relating to the Everbright Belt and Road Green Fund, focusing on screening investment projects in the field of advanced manufacturing to help economic development achieve a green and low-carbon transition;

A number of environmental companies invested by CEL’s funds, such as “Yuanchen Technology” (元琛科技) and “BCCY” (百川暢銀), were listed on the STAR Market in Shanghai and the GEM board in Shenzhen;

For incorporating Environmental, Social and Governance (“ESG”) principles into the business decision-making process of the Company, the Group established the ESG Committee to carry out CEL’s ESG governance initiative and enhance the Group’s ESG system in a comprehensive and systematic manner from a top level.

FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2021

Income

During the reporting period, the Group continued to unswervingly follow Everbright Group’s strategy, and continued to implement the “1-4-3” strategic deployment, which was formulated by the Company in 2019 to serve the new development pattern of “dual circulation” and “great circulation”. Focusing on its core business of cross-border asset management, the Group has led its industry platforms to fully promote business development, and has achieved remarkable results. During the reporting period, the Group achieved a total amount of income⁵ of HK\$3,133 million, representing an increase of HK\$1,120 million or 56% over the same period last year.

⁵ 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 structured financing business and certain equity investment projects under Principal Investments Business of the Group, interest on bank deposits and dividend from China Everbright Bank. 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.

Key income items <i>(in HK\$ hundred million)</i>	2021 1H	2020 1H	Change
Income from contracts with customers, mainly including:	3.28	1.96	67%
– Management fee income	1.81	1.28	41%
– Performance fee and consultancy fee	0.58	0.13	346%
Income from investments, mainly including:	20.63	11.65	77%
– Interest income	2.45	2.19	12%
– Dividend income	5.98	4.49	33%
– Capital gain (realised gain or loss)	5.86	5.30	11%
– Capital gain (unrealised gain or loss)	6.07	(0.90)	N/A
Income from other sources	(0.03)	0.14	N/A
Share of profits less losses of associates	7.25	6.25	16%
Share of profits less losses of joint ventures	0.20	0.13	54%
Total amount of income	<u>31.33</u>	<u>20.13</u>	<u>56%</u>

The year-on-year increase in total amount of income was mainly due to the following factors: (1) Funds established through fundraising exercise in the fourth quarter of 2020 commenced to contribute management fee income this year, driving the Group’s “income from contracts with customers” to further high growth. In the first half of 2021, the Group achieved management fee income of HK\$181 million, a year-on-year increase of 41%; performance fee and consultancy fee was HK\$58 million, and the year-on-year growth rate reached 346% as affected by the low base. As a result of both factors above, the Group’s “income from contracts with customers” during the reporting period increased by HK\$132 million from the first half of 2020 to HK\$328 million, representing a year-on-year increase of 67%. (2) In the first half of 2021, with the restoration of global capital market valuations, the valuation of a majority of the Group’s projects has been restored, and especially the valuation of overseas investment projects has greatly improved, leading to a substantial increase in the Group’s income from investments. During the reporting period, the Group’s “income from investments” was HK\$2,063 million, representing an increase of HK\$898 million or 77% over the same period last year, among which the “capital gain (unrealised gain or loss)” during the reporting period was HK\$607 million, representing a year-on-year increase of HK\$697 million; and the “capital gain (realised gain or loss)” was HK\$586 million, representing a year-on-year increase of HK\$56 million or 11%. (3) As the Group’s associates and joint ventures fully benefited from China’s economic recovery, these entities’ profitability continued to improve. During the reporting period, the Group’s “share of profits less losses of associates” was HK\$725 million, representing a year-on-year increase of HK\$100 million or 16%; the “share of profits less losses of joint ventures” was HK\$20 million, representing a year-on-year increase of HK\$7 million or 54%.

From the perspective of the financial statements of the Group, management fee income was HK\$181 million, representing a year-on-year increase of 41%. During the reporting period, the Earned Management Fee Income of the Group amounted to HK\$457 million, representing a slight year-on-year decrease of 1.5%. As compared with the “management fee income”, the main reason for the year-on-year decrease in “Earned Management Fee Income” is that under its enlarged scope of coverage, the funds previously established through associates/joint ventures no longer contributed management fee income as they have entered the exit period gradually.

For the purposes of resource allocation and business performance evaluation, the management of the Group adopts “Earned Management Fee Income”⁶ 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. The table below sets out 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, which 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 associates/joint ventures: (i) the Group acts as the joint fund manager through the establishment of joint ventures with third parties, and the management fees received by such joint ventures shall be presented according to the Group’s share of profits from the joint ventures; (ii) 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 a 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.

<i>(in HK\$ hundred million)</i>	As presented in the financial report	Elimination of management fee income from consolidated funds (a)	Management fee income received by associates/ joint ventures (b)	Other accounting adjustments (c)	Earned Management Fee Income
Primary market	1.36	0.48	1.46	0.18	3.48
Secondary market	0.30	0.11	–	(0.01)	0.40
Funds-of-Funds	0.15	0.53	–	0.01	0.69
Management fee income	1.81	1.12	1.46	0.18	4.57

⁶ 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.

Based on the analysis by business segments, the income from Fund Management Business of the Group during the reporting period amounted to HK\$1,482 million, as compared to a loss of HK\$319 million for the same period last year. The income from Principal Investments Business amounted to HK\$1,651 million, as compared to an income of HK\$2,332 million for the same period last year, representing a year-on-year decrease of 29%. The significant year-on-year improvement in fund business was mainly due to market value of primary market funds' projects being recovered through IPOs or valuation which delivered increasing income from investments, and improved performance of secondary market funds as compared with the same period last year. The weakened profitability of the Principal Investments Business was mainly due to the decreased income from investments as a result of the changes in the valuation of some financial investment projects, as well as the exit of projects with higher income from investments during the same period of 2020.

Income from key business segments

<i>(in HK\$ hundred million)</i>	2021 1H	2020 1H	Change
– Income from Fund Management Business	14.82	(3.19)	N/A
– Income from Principal Investments Business	16.51	23.32	(29%)
Total amount of income	31.33	20.13	56%

Profit

The profit attributable to shareholders of the Company for the first half of 2021 was HK\$1,781 million, representing an increase of HK\$1,016 million or 133% as compared with the same period last year as affected by the low base. The profit of Fund Management Business during the reporting period was HK\$1,214 million, as compared with a loss of HK\$462 million for the same period last year.

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

	2021 1H	2020 1H	Change
Profit from Fund Management Business	12.14	(4.62)	N/A
Profit from Principal Investments Business:	14.98	21.27	(30 %)
– Strategic industry platform (CALC, Everbright Senior Healthcare, Terminus)	1.30	2.46	(47 %)
– Financial investments	4.01	10.09	(60 %)
– Cornerstone investments (certain portion of equity interests in China Everbright Bank and Everbright Securities)	9.67	8.72	11 %
Less: Unallocated corporate expenses, taxes and profit attributable to holders of senior perpetual capital securities	(9.31)	(9.00)	3 %
Profit attributable to shareholders of the Company	<u>17.81</u>	<u>7.65</u>	<u>133 %</u>

The Board declared an interim dividend of HK\$0.28 per share for 2021 (HK\$0.14 per share for the same period last year). The dividend payout ratio was 26.5%, representing a decrease of 4.3 ppt as compared to that of 30.8% for the same period last year.

Per Share (HK\$)	2021 1H	2020 1H	Change
Earnings per share	1.06	0.45	136 %
Interim dividend per share	0.28	0.14	100 %

Key Financial Ratios

During the reporting period, the Group continued to optimise its operation and management and further reduced its operating costs. The operating cost of CEL was HK\$541 million, with an operating cost-to-income ratio of 17.3%, representing a decrease of 2.9 ppt from last year. As of the end of June 2021, the debt-to-asset ratio and the gearing ratio of the Group were 52.1% and 76.5%, respectively. The increase in the gearing ratio as compared with the end of 2020 was mainly because all proceeds from the Group's issuance of RMB4 billion medium term notes on 18 June 2021 were used to repay the corporate bonds due on 22 July 2021, leading to a temporary increase in the gearing ratio as at 30 June 2021. As a result of the newly-issued medium term notes, the current ratio of the Group improved significantly from the end of last year with an increase of 20 ppt to 130%.

Key Financial Data ⁷	2021 1H	2020 year-end	Change
Operating cost-to-income ratio ⁸	17.3%	20.2%	-2.9 ppt
Gearing ratio ⁹	76.5%	63.9%	+12.6 ppt
Net gearing ratio ¹⁰	63.9%	61.1%	+2.8 ppt
Debt-to-asset ratio ¹¹	52.1%	49.0%	+3.1 ppt
Current ratio ¹²	130%	110%	+20 ppt

⁷ Operating cost-to-income ratio, gearing ratio, net 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.

⁸ Operating cost-to-income ratio is calculated as (staff costs + depreciation and amortisation expenses + other operating expenses)/total amount of income.

⁹ The gearing ratio is calculated as interest-bearing debt (including bank loans + notes payable + bonds payable)/total equity.

¹⁰ The net gearing ratio is calculated as (interest-bearing debt – available cash)/total equity, of which the available cash included the medium term notes with a total nominal value of RMB4 billion issued by the Group on the Chinese inter-bank market on 18 June 2021. All proceeds from the issuance of the medium term notes were used to repay corporate bonds due on 22 July 2021.

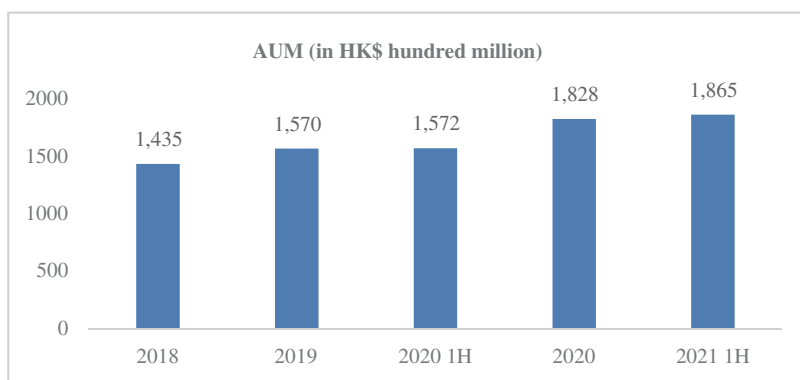
¹¹ The debt-to-asset ratio = (total liabilities/total assets)×100%

¹² The current ratio is calculated as current assets/current liabilities.

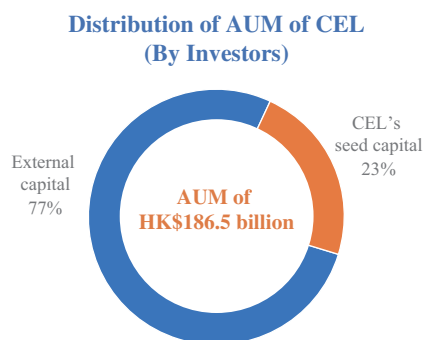
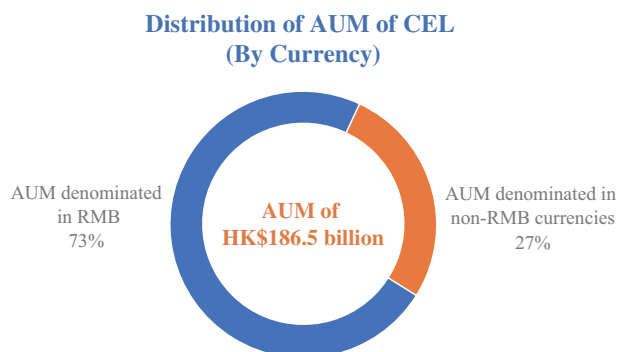
BUSINESS PERFORMANCE ANALYSIS FOR THE FIRST HALF OF 2021

Fund Management Business

With the diversified fund structures, capabilities on the full value chain and cross-border asset deployment, the Group continued to maintain its position as a leading fund management institution in China. CEL's PEI 300 ranking in 2021 was 75th.



The AUM of the Group's funds reached approximately HK\$186.5 billion as at 30 June 2021, representing a growth of 2% as compared to the end of 2020. In terms of source of funding, the Group's seed capital accounted for 23%; and the Group'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\$135.9 billion and HK\$50.6 billion, accounting for 73% and 27% of the total amount, respectively. In terms of the nature of funds, the Group's Fund Management Business managed 44 primary market funds, 27 secondary market investment portfolios and 8 FoFs products. During the reporting period, the Group's Fund Management Business exited, fully or partially, 19 projects, realising a cash inflow of approximately HK\$1.79 billion.



Primary Market Funds

As at 30 June 2021, 44 fund products were under the management of the Group's Primary Market Funds, with an aggregate AUM of approximately HK\$130,494 million and 154 projects under management, out of which amounts equivalent to approximately HK\$103,313 million and HK\$27,181 million were denominated in RMB and other currencies, accounting for 79% and 21% of the total amount, respectively.

During the reporting period, the Group's first Secondary Fund, being CEL Linghang (Shenzhen) Private Equity Investment Fund (光控領航(深圳)私募股權投資基金), was successfully established. The fund was initiated and established by the Group and Sun Life Everbright Insurance, with the first phase scale of RMB400 million. The successful launch of the first secondary fund will further diversify and improve the product lines of the Group. With the diversified fund structures, capabilities on the full value chain and cross-border deployment, the Group will continue to constantly reinforce its leading position in the cross-border asset management industry in China.

Representative Primary Market Funds Established (in the Past Three Years)

Name of Funds	Time of Establishment	Currency	Amount in Original Currency (in hundred million)	Amount in HK\$ (in hundred million)
CEL Linghang (Shenzhen) Private Equity Investment Fund (Secondary Fund)	June 2021	RMB	4.00	4.81
CALC Perpetual Bond Dedicated Fund	December 2020	US\$	2.30	17.85
EBT Investment Fund I	December 2020	RMB	10.15	12.20
EBT Investment Fund III	December 2020	RMB	20.24	24.33
Domestic Mezzanine Fund III	June 2020	RMB	14.19	17.05
CEL Global Real Estate Fund	June 2020	US\$	5.06	39.25
Hunan Maixin Fund (Mezzanine III Feeder Fund)	April 2020	RMB	11.01	13.23
Everbright Belt & Road Green Investment Fund	April 2020	RMB	30.30	36.42
CEL New Economy Industry Investment Fund	December 2019	RMB	15.12	18.17
EBT Investment Fund II	December 2019	RMB	10.00	12.02
Aircraft Recycling Global Fund	December 2019	US\$	3.50	27.17
Medical and Healthcare Fund III	October 2018	RMB	12.68	15.23
New Economy USD Fund	May 2018	US\$	4.83	37.47
Walden CEL Global Fund I	April 2018	US\$	1.88	14.63

Real Estate Investment and Asset Management Platform

As at 30 June 2021, Everbright Jiabao managed 37 projects through its real estate investment and asset management platform, EBA Investments, with an AUM scale of approximately RMB 46,025 million.

In the first half of 2021, EBA Investments continued to expand its own commercial brand presence by increasing the number of “IMIX Park” shopping malls under management to 21, with a total construction area of more than 2.2 million sq.m., and reached strategic cooperation with local state-owned enterprises with high-quality asset reserves, aiming to capitalise on this opportunity to create more high-quality commercial products. At the same time, EBA Investments officially released WELLBEING, an office building asset management brand of its own. This service system will cover many office projects under EBA Investments in Shanghai and Beijing, striving to bringing high-quality office experience to its tenants. In addition, Everbright Jiabao and EBA Investments continued to participate in the pilot work of China’s infrastructure REITs. The “EBA Technology Park” (光大安石科技園) project under its management differentiated from various high-quality projects and became one of the first batch of approved infrastructure public offering REITs projects in the mainland China. The “Huaan Zhangjiang Everbright Park Close-ended Infrastructure Securities Investment Fund” (華安張江光大園封閉式基礎設施證券投資基金), with the “EBA Technology Park” (光大安石科技園) project as its underlying asset, was officially listed on the Shanghai Stock Exchange on 21 June 2021. Zhuhai EBA Yida Management Centre, L.P., which was established in August 2020 with a total scale of RMB4 billion, invests the properties of the partnership in real estate projects in China, primarily for urban renewal. The following table sets forth information on its key projects held during the period:

Name of Key Projects	Business Type	Location	Investment Type
Beijing Zhongguancun Project	Commercial	Beijing	Convertible bonds
Chongqing Chaotianmen Project	Commercial complex	Chongqing	Fund interest investment
EBA Center Project	Commercial complex	Shanghai	Fund interest investment
Parkview Place	Commercial office	Beijing	Fund interest investment
EBA Center Hongqiao Project	Commercial complex	Shanghai	Fund interest investment

Secondary Market Funds

By drawing upon its own advantages, the secondary market fund 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 private fund managers and institutional investors outsourcing), PIPE funds and investment advisory business. As of 30 June 2021, the Group's secondary market team managed a total of 27 funds and accounts with an AUM of approximately HK\$28.2 billion. In terms of product categories, fixed income products, equity products, PIPE products and New Third Board (NEEQ) market products accounted for 73.18%, 19.96%, 5.97% and 0.89% of the total amount respectively.

In respect of fixed income products, CEL has a diversified product line covering overseas funds, QDII management accounts, overseas management accounts and asset securitisation products. The flagship product "Everbright Dynamic Bond Fund" has recorded good performance over years, while its AUM exceeded US\$1 billion as of June 2021. Since its launch in December 2012, the fund has delivered a net of fees return of 73.54% and an annualised return of 6.60%. 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 "Asian Bond (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\$81 million. Since its launch in January 2014, Everbright China Focus Fund has achieved an aggregate net of fees return of 196.91% with an annualised return of 15.62%. During the reporting period, the fund 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 2.30% during the reporting period, with an annualised return of 4.60%. During the reporting period, this product was awarded five-star rating (being the highest rating) by Morningstar, an authoritative fund evaluation agency, in the overall rating and three-year rating for its outstanding performance and risk-adjusted returns. 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 received subscription by local high-net-worth client base in Hong Kong.

Funds-of-Funds

CEL's FoFs not only invested in external funds with proven track records and robust governance and directly invested in specific equity projects, but also invested in funds launched and managed by CEL. As at 30 June 2021, CEL's FoFs team managed 8 FoFs with an AUM of RMB23.1 billion.

In the first half of 2021, FoFs continued to target the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and other strategic areas, 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. Currently, FoFs has 76 invested projects (sub-funds and equity investment projects). Specifically, in April this year, Chemclin Diagnostic Corporation (科美診斷技術股份有限公司), an investee company of CEL-CMB Fund-of-Funds managed by FoFs, was successfully listed on the STAR Market of the Shanghai Stock Exchange. In addition, in the first half of 2021, 11 underlying projects invested by the sub-funds of FoFs were listed, and another 10 projects obtained IPO approval.

During the reporting period, due to its outstanding performance, CEL's FoFs was awarded the "2021 China's Top 10 Direct Investment FoFs" and "2021 China's most popular FoFs TOP 20 by GPs" by 36Kr, the "2020 China's Best LPs Top 30" by ChinaVenture Association, and the "2021 China's Top 30 Institutional Limited Partners in the Equity Investment Market" by Zero2IPO. Notably, CEL Jiangsu Liyang Fund-of-Funds under the Group's management received the "2021 China's Top 50 Government Guided Funds".

As at 30 June 2021, the FoFs products are listed below:

Name of Funds	Time of Establishment	Currency	Amount in Original Currency (in hundred million)	Amount in HK\$ (in hundred million)
Multi-strategy Alternative Investment Fund	February 2012	RMB	50	60.1
CEL-CMB Multi-strategy Equity Investment Fund-of-Funds	March 2017	RMB	50	60.1
CEL Hunan Fund-of-Funds	August 2018	RMB	51	61.3
CEL Jiangsu Liyang Fund-of-Funds	November 2018	RMB	20	24.0
Taizhou CEL Big Health Industry Fund	November 2019	RMB	10	12.0
Guangzhou CEL Guangzhou-Hong Kong-Macao Youth Venture Fund-of-Funds	December 2019	RMB	10	12.0
CEL Suzhou Fund-of-Funds	December 2019	RMB	15	18.0
CEL Ganzhou Fund-of-Funds	November 2020	RMB	25	30.0
Total			231	277.5

Principal Investments Business

The Group strives to serve 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; (3) cornerstone investments: holding a portion of the equity interest in China Everbright Bank and Everbright Securities.

As at 30 June 2021, the Principal Investments Business managed 72 post-investment projects with an aggregate amount of approximately HK\$42.6 billion. Among these, the total carrying amount of equity interest in CALC, Everbright Senior Healthcare and Terminus held by CEL was approximately HK\$6.1 billion; the fair value of financial investments was approximately HK\$16.4 billion; the fair value of the cornerstone investments in China Everbright Bank was HK\$7.1 billion, and the carrying amount of Everbright Securities accounted for as an associate was HK\$13 billion.

Principal investment (in HK\$ hundred million)	2021 1H	2020 year-end
– Strategic Industry Platforms	61	58
– Financial investments	164	146
– Cornerstone Investments	201	200
	<hr/>	<hr/>
Total	426	404
	<hr/>	<hr/>

Strategic Industry Platforms

Aircraft Leasing

CALC is a one-stop full life-cycle solution provider for global airlines. Its scope of business includes regular operations such as aircraft operating leasing, purchasing and leaseback and structured financing, and 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.

As at 30 June 2021, CALC had 129 aircraft in its fleet (including owned and managed aircraft). In the first half of this year, CALC delivered 6 aircraft, including 3 new aircraft and 3 used aircraft under leaseback arrangement, and completed sales of 4 aircraft. CALC's clientele has been enlarged to airlines in 16 countries and regions. 77.9% of CALC's owned fleet were leased to Chinese airlines, including Hong Kong, Macau and Taiwan; and the fleet utilisation rate was 100% with the easing of COVID-19 epidemic situation in China. 88.5% of CALC's owned fleet are narrow-body aircraft, a highly liquid asset class and the most popular aircraft type. CALC developed steadily under sound management of its fleet portfolio, client maintenance, diversified asset management model and full life-cycle operation. At the same time, CALC has the advantages of dual-platform financing and leasing channels, as well as strong capability and rich experience in financing both domestically and abroad.

Everbright Senior Healthcare

During the reporting period, Everbright Senior Healthcare set up a medium to long-term strategic plan to clarify the future development path. Through various innovative business models such as asset cooperation and Continuous Care Retirement Community (CCRC), it has been actively exploring new business models and continuously seeking to build a high-end intelligent medical-care flagship residential product with a demonstration effect and steadily increase the number of beds. With steady expansion and careful selection of “publicly constructed and privately operated” projects, Everbright Senior Healthcare’s registered bed number has increased from 28,000 at the end of 2020 to 30,000 at the end of June 2021.

Everbright Senior Healthcare continued to strengthen standardised operation and management and improve brand building. The full launch and implementation of its Intelligent Senior Care Platform V1.0 provided a comprehensive information-based and partial intelligence-driven operation from all nursing houses to headquarters, which delivered fundamental support for daily operation, management and data analysis. In addition, it also explored external cooperation with its intelligent senior healthcare product. In the first half of 2021, Everbright Senior Healthcare ranked no. 1 in Guandian.cn’s monthly updated “China Elderly Care Operation and Development Index” (中國養老運營發展指數), representing a high recognition of its brand and culture by the community.

Artificial Internet of Things (“AIoT”)

During the reporting period, Terminus strengthened its efforts in the development of smart city operation system. The development of the CityOS-TACOS platform is progressing smoothly. This platform employs a personalised, distributed and cloud-inherent underlying architecture with light-applied features and is equipped with digital cityscape, deeply integrated both IoT and AI capabilities, building a full-scene space integration and empowering intelligent space scenes. Currently, CityOS-TACOS has been continuously promoted and deployed in AI CITY projects in Chongqing, Wuhan and Deyang, etc. At the same time, Terminus further expanded into the Middle-East market, and made continuous breakthroughs in the process of internationalisation. In the field of green life, Terminus developed the city-level intelligent energy market for “Emission Peak” and “Carbon Neutrality”, thereby further capitalising on Terminus’ advantages in technology and resources and continuously exploring systemic solutions and cloud-based services. In the field of new retail, Terminus strategically cooperated with T11 to empower the digital transformation of T11 retail through the TACOS-driven and AI-based new retail cloud platform, and jointly build a new form of boundless retail. Through continuous and in-depth cooperation with the Deyang government and based on the AI-based new retail cloud platform, Terminus also plans to build a new retail industry cluster in Deyang Western Commercial City, which perfectly integrates online and offline scenarios to develop capabilities catering for the entire industry chain.

FINANCIAL INVESTMENTS

CEL’s financial investments funded by its own capital cover the following aspects: (1) 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) investing in structured financing products with balanced returns and liquidity. As at 30 June 2021, CEL’s financial investments amounted to HK\$16.4 billion, with the aggregate valuation of top 10 projects amounting to HK\$8.9 billion.

Cornerstone Investments (Significant Investments)

As at 30 June 2021, the carrying amount of certain portion of 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 of the Group. These two investments held by the Group accounted for in aggregate 40% and 19% of the Group's net assets and total assets, respectively.

Everbright Securities (601788.SH)

Established in 1996 with its headquarters in Shanghai, Everbright Securities was one of the first 3 innovative pilot securities firms approved by the China Securities Regulatory Commission. In the first half of 2021, the transformation of Everbright Securities' asset-light business achieved impressive progress; the transformation of wealth management was pushed forward; the expansion of investment bank IPO business delivered remarkable results; and competitive edge in bond underwriting business was maintained. As at 30 June 2021, 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 accounted for as an associate of the Group. The carrying amount of the shares held by the Group was HK\$13 billion, accounting for 26% and 12% of the Group's net assets and total assets respectively. Based on the closing price of RMB17.89 per share of Everbright Securities as at 30 June 2021, the fair value of the shares in Everbright Securities held by the Group was HK\$20.7 billion. During the reporting period, the Group's share of profit from Everbright Securities as an investment in associate was HK\$565 million, representing a year-on-year increase of 12%.

China Everbright Bank (601818.SH)

Established in August 1992, China Everbright Bank is a national joint-stock commercial bank approved by the State Council and the People's Bank of China. As at 30 June 2021, the Group held 1.57 billion A-shares in China Everbright Bank, representing 2.91% of its total share capital, 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 RMB3.78 per share of China Everbright Bank as at 30 June 2021, the carrying amount and fair value of the shares in China Everbright Bank held by the Group was HK\$7.1 billion, accounting for 14% and 7% of the Group's net assets and total assets respectively. During the reporting period, the Group's income from China Everbright Bank was HK\$403 million, representing a year-on-year increase of 10%.

OUTLOOK

Looking into the second half of 2021, as the global COVID-19 vaccination rate continues to rise, it is expected that the COVID-19 pandemic situation may improve, global production and trade may gradually recover, and consumption activities may rebound. However, the potential threat of virus mutation is increasing the uncertainty of global pandemic control. The global economy will recover amidst volatility, while liquidity may remain relatively loose, with market interest rates to run at a low level. As different economies are adopting different economic policy support and anti-pandemic measures, the recovery process may continue to be differentiated.

In the new situation where the global economy and the international environment are still complex and evolving, the Group will continue to leverage the new domestic and international landscape to actively promote high-quality transformation and development, deploy more resources for “domestic circulation” and “dual circulation”, resolutely implement the national strategy of “Emission Peak” and “Carbon Neutrality”, and support the target of Everbright Group to build “Green Everbright”. The Group will also forge ahead in an innovative and enterprising spirit in the fields of innovative technology, green production and life, universal healthcare and other fields, continue to enhance internal management capabilities, manage risks, ride on the trend and take proactive actions, striving to open up a new chapter for the Company’s high-quality development.

Firmly moving towards our strategic goals and actively striving for progress. The Group will continue to implement its “asset management + investment + industry” development strategy, and elevate “market-oriented, international and professional” capabilities. In pursuit of its 2021 main plot of “remaining innovative with proper risk management, focusing on the performance improvement, embracing changes to drive transformation, and serving the overall development”, the Group will actively capitalise on the important opportunities of the new development initiative of “the great domestic circulation as the core, along with mutual promotion of domestic and international dual circulation”. With secured foothold in Hong Kong, the Group will promote the development of international business through various cross-border platforms including Everbright Belt & Road Green Fund, Everbright Overseas Infrastructure Investments Fund, Global Investment Fund, China Israel Fund, Terminus and CALC. In the meantime, the Group will further capitalise on the historic opportunities mainly in the Greater Bay Area, the Beijing-Tianjin-Hebei region, the Yangtze River Delta and Hainan Free Trade Zone. The Group will focus on developing the cross-border asset management market, accelerate business structural transformation and enhance profitability. The Group is believed to be on track to accomplish the strategic goal of “becoming a world-leading cross-border asset management firm”.

Accelerating transformation and development and deploying resources for key areas.

China's private equity investment market is still in the period of turbulence and adjustment, under which the Matthew effect will become more prominent and investors will become more professional, institution-dominant and diversified. The Group will remain optimistic about the key role of technology in the economic and social changes around the globe, actively adjust fundraising strategies, innovate cooperation models, optimise operational efficiency, further integrate the Company's resources and deploy more resources for innovative technology, carbon neutrality, universal healthcare and other fields through the targeted initiative to enhance management. Targeting at the science and technology frontiers of the world, the Group will seize investment opportunities in, amongst others, AIoT, digital upgrading and transformation of traditional industries, and the comprehensive intellectualisation and networking of applied technology. To address major national needs and the trend of international relationship, the Group will look for the investment opportunities on upstream equipment, components and fundamental software, and other safe-ensuring and controllable key fundamental technologies and IP acceleration, and ride on the investment opportunities in competing with and surpassing overseas technologies against the backdrop of replacing imported technologies with domestically-developed ones under the new structure and standards. In the field of caring people's lives and health, the Group will capture investment opportunities in biomedical technology, bio-pharmaceuticals, high-end medical equipment and elderly healthcare, etc. To cope with the overall requirements of "Carbon Neutrality and Emission Peak", the Company will capitalise on investment opportunities in Green Environment, Green Energy, Green Manufacturing and Green Life.

Enhancing the investment capability and investment returns. Firstly, the Group will further upgrade investment strategies, enhance profitability and strive to achieve transformation and development. Secondly, the Group will focus on its core business of asset management and strategic regions to continuously increase fundraising efforts and expand AUM. Thirdly, the Group will improve the efficiency of capital utilisation by capturing the market window to exit matured investment projects, and optimise its asset structure by allocating more resources to the assets with stable income in order to steadily increase the return on equity. Fourthly, the Group will appropriately revitalise existing cornerstone assets so that the Group could increase seed capital resources to boost fundraising and thereby further develop its core business of asset management. Fifthly, the Group will continuously diversify the allocation portfolio in order to improve the efficiency in utilising additional funds, and thus to increase the overall return on capital.

Improving the coordinated development among all business units and giving play to the synergy between capital and industry capabilities. Drawing upon the advantages of its investment capabilities and asset management capabilities, the Group will provide capital assistance and flexible and diversified support for key industry platforms, aiming to strengthen coordination and synergy, empower each other and share resources. Deepening the synergy and collaboration within the Everbright Group's ecosystem, as well as focusing on the opportunities in key areas including the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Greater Bay Area and the countries along the "Belt and Road", the Group will promote strong collaboration with the relevant local governments and strategic industry partners.

Maintaining a strong risk management mindset to prevent different risks. Maintaining a strong risk management mindset, strengthening the research of existing projects, and taking into full consideration on uncertainties in both international and domestic markets as well as the cyclical impact of the industry are always the key role for the Group. The Group will continue to execute the strategy with caution and confidence, increase efforts in research and refined judgment. The Group will continue to improve its risk management system, build a sound risk identification, assessment, coordinated control and accountability mechanism to prevent different risks.

Where there is a will, there is a way. In the post-pandemic era in which the global economies are pending recovery, the Group will resolutely execute its development strategy in response to the national strategic needs, capitalise on specific opportunities such as technological revolution, industry transformation and regional changes. Regarding asset management as its core business and supported by its robust investment capabilities, the Group will continue to strive for its strategic goal of "becoming a world-leading cross-border asset management firm" and stay committed to the mission and tasks bestowed by the times.

FINANCIAL POSITION

As at 30 June 2021, the Group's total assets amounted to HK\$106 billion with net assets amounted to HK\$50.8 billion. Equity attributable to equity shareholders of CEL per share was HK\$27.7, increased by 3% compared with the end of 2020. As at 30 June 2021, the Group's gearing ratio increased to 76.5% (31 December 2020: 63.9%). The increase in the gearing ratio as compared with the end of 2020 was mainly because all proceeds from the Group's issuance of RMB4 billion medium term notes on 18 June 2021 were used to repay the corporate bonds due on 22 July 2021, leading to a temporary increase in the gearing ratio as at 30 June 2021.

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 30 June 2021, the Group had cash and bank balances of HK\$12.7 billion, increased by HK\$3.4 billion compared with the end of 2020. Currently, most of the Group's cash, representing 93%, 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 30 June 2021, the Group had banking facilities of HK\$25 billion, of which HK\$3.8 billion had not been utilised. The banking facilities were of one to eleven years terms. The Group had outstanding bank loan of HK\$21.2 billion, of which HK\$17.9 billion was unsecured, increased by HK\$2.3 billion compared with the end of 2020. The Group had issued corporate bonds with outstanding principal amount of HK\$17.6 billion. The interest bearing borrowings were mainly denominated in Renminbi, representing about 51% of the total, and the remaining were mainly denominated in Hong Kong dollars, United States dollars, Singapore dollars and Australian dollars. As at 30 June 2021, approximately 52% of the Group's total principal amount of borrowing were at floating rates and the remaining 48% were at fixed rates. The maturity profile of the Group's borrowings is set out in note 22 of the Notes to the Financial Statements in this announcement.

PLEDGE OF ASSETS

As at 30 June 2021, restricted bank balances of approximately HK\$48.3 million were pledged to the banks for sales of mortgaged properties to customers and interest reserve account on borrowings, and approximately HK\$363.5 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\$4,699 million, HK\$1,543 million and HK\$430 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 30 June 2021, assets deposited with the prime brokers included HK\$1,775 million and HK\$103 million which formed part of the Group's trading securities and debtors respectively.

EMPLOYEES

As at 30 June 2021, the Group's headquarters and fully owned subsidiaries had 299 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 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

During the period under review, the Group continuously implemented relevant work of the risk management system to effectively control the principal risks which may be encountered by the Group. Those risks include credit risk, liquidity risk, interest rate risk, currency risk and equity price risk, the details of which are set out in note 25 of the Notes to the Financial Statements of this announcement.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK\$0.28 per share for the six months ended 30 June 2021 (2020: HK\$0.14 per share) to those shareholders whose names appear on the register of members of the Company on Friday, 24 September 2021. The interim dividend will be paid on Friday, 8 October 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 21 September 2021 to Friday, 24 September 2021, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration with 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 Monday, 20 September 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED EQUITY SECURITIES

There was no purchase, sale or redemption of the Company's listed equity securities by the Company or any of its subsidiaries during the six months ended 30 June 2021.

CORPORATE GOVERNANCE CODE

The Company has complied with all the 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") during the six months ended 30 June 2021, save for the deviation from code provision A.2.1 of the CG Code during the period until 24 March 2021.

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 had deviated from code provision A.2.1 of the CG Code upon the appointment of Dr. Zhao Wei, the then Chief Executive Officer of the Group, as the Chairman of the Board, and the Board considered that with the support of the management of the Group, such arrangement could facilitate strong leadership, promote efficient execution of the Group's business strategies and boost effectiveness of its operation. Upon review of the above arrangement, the Board resolved on 24 March 2021 to separate the two roles by the appointment of Mr. Zhang Mingao as the President of the Group, while Dr. Zhao Wei continued to serve as the Chairman of the Board. After the above changes in the Group's management structure, the Company has complied with code provision A.2.1 of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own "Code for Securities Transactions by Directors & 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 of the Company. 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 six months ended 30 June 2021.

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 principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial report of the Group for the six months ended 30 June 2021.

By order of the Board
China Everbright Limited
Wan Kim Ying Kasina
Company Secretary

Hong Kong, 26 August 2021

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

Executive Directors:

Dr. Zhao Wei (*Chairman*)
Mr. Zhang Mingao (*President*)
Mr. Tang Chi Chun Richard

Independent Non-executive Directors:

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