光大控股
EVERBRIGHT LIMITED

The Power to *Transform*
專 注 致 遠　順 勢 有 為

stock code : 165

ANNUAL REPORT 2021

TRANSCEND THE UNSEEN WITH FORESIGHT
以遠見 超越未見

COVER STORY

TRANSCEND THE UNSEEN WITH FORESIGHT

Amid a profound change in history
With tectonic technology innovation and evolving industry transformation
The global innovation landscape and economic structure are reshaping

Faced with challenges and uncharted waters
CEL aligns itself with the basic concept of value investment and positive-sum strategy

Insisting on innovation and scaling the heights
We make painstaking efforts for refined industry growth and investment in the future
In a bid to press ahead with our sustainable development

We steer firmly for certainty in uncertainty
to cut through confusion
By setting our sights high
We can conquer the unknown and transcend the unseen

TABLE OF CONTENTS

FINANCIAL SECTION

FORESIGHT

By identifying the innovative power originating from subtle changes, we solidify our footing over time, remain forward-looking, and build up the dynamic of creating a better future.

STRATEGY

With a persistent strategic focus on PE investment, we prioritise industry development and seize the opportunities from the initiatives of "dual-cycle development", "carbon peak and carbon neutrality" to build a tech-driven cross-border asset management platform, leading to a steady progress.

FUTURE

We uphold the concept of long-term value investment, remain optimistic about the key role of technological innovation in China's economic development, and strive to grow together with China's technology boom. We invest in the future to play our part in shaping the future.

COMPANY OVERVIEW

China Everbright Limited ("CEL" or the "Company", together with its subsidiaries, collectively the "Group") 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, indirectly 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 uses its own funds to make investments and nurtures enterprises with promising growth potential in order to create a unique business model with robust synergy between industrial and asset management capabilities, further achieving sustainable growth.

For Fund Management Business, by the end of 31 December 2021, total assets under management ("AUM")[1] of CEL reached approximately HK$203.1 billion, with 84 funds under management. Through the primary market funds, secondary market investment portfolios and funds-of-funds under its management, CEL's Fund Management Business has nurtured many valuable enterprises with high growth potential alongside with its investors. Based on the needs of the Chinese economy, CEL also strives to forge the synergy between Chinese and overseas technological advantages and Chinese market, and to provide Chinese and overseas investors with diverse financial services.

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-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 PE fund enterprise in China. Meanwhile, CEL also invests in 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.

Notes:

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

2 Among these, EBA Investments is the real estate industry platform under the Fund Management Business.

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DUAL DRIVES FROM TWO MAJOR BUSINESS SEGMENTS

FUND MANAGEMENT BUSINESS

PRIMARY MARKET FUNDS | SECONDARY MARKET FUNDS | FUNDS-OF-FUNDS

- Fund products including primary market funds (including real estate private funds under EBA Investments), secondary market funds and funds-of-funds, among others
- Both domestic and overseas investments, with USD and RMB-denominated products
- AUM amounting to approximately HK$203.1 billion, of which seed capital contributed by CEL accounts for approximately 21%, with an amount of approximately HK$42.9 billion

PRINCIPAL INVESTMENTS BUSINESS

KEY INVESTEE COMPANIES | FINANCIAL INVESTMENTS | CORNERSTONE INVESTMENTS

- Key investee companies[3]: focusing on aircraft full life-cycle services, AIoT and senior healthcare management
- Financial Investments: financial investments in equity, debts and structured products
- Cornerstone Investments: stake in a portion of the equity interests in China Everbright Bank and Everbright Securities
- The total asset value of the Principal Investments Business amounting to HK$42.0 billion

Note:

[3] Key investee companies refer to CALC, Everbright Senior Healthcare and Terminus.

2021 BUSINESS DEVELOPMENT HIGHLIGHTS

MAINTAINING STEADY GROWTH

In 2021, the Group maintained steady growth according to its established strategy, and focused on cross-border asset management as the core business to strengthen synergy with companies within Everbright Group and key investee companies, thereby making itself more market-oriented, international and professional and making a number of breakthroughs. CEL's PEI 300 ranking was 75th, 9 places higher than that of the previous year. Its total AUM continued to increase and exceeded HK$200 billion for the first time to HK$203.1 billion, representing an increase of 11.1% from last year; total assets increased by approximately 5% from the end of last year to surpass HK$100 billion for the first time; revenue, profit, return on equity (ROE) and other operating indicators rebounded strongly compared with those of the previous year.

The Company continued to accelerate the innovation of fund products in line with market trends, and launched CEL Linghang S Fund, Kunpeng Forebright Fund, Shaanxi Direct Investment Fund and other innovative fund products together with external partners in 2021. Walden CEL Global Fund, Everbright Overseas Infrastructure Fund, CEL Global M&A Fund and many other flagship fund products started the second round of fundraising on the basis of their excellent investment track record.

From the investment perspective, focusing on technology, environmental protection and universal healthcare, the Company invested in SJ Semiconductor, Therma Tech and other high-tech enterprises to facilitate the resolution of technological bottlenecks, as well as in Iaso Biotherapeutics, Grit Science and other healthcare and medical enterprises to boost the development of universal healthcare. From the exit perspective, the Company completed 15 IPO projects in 2021, with over 70% overseas IPOs and over 80% related to technology, environmental protection and healthcare enterprises. Huaan Zhangjiang Everbright Park Closed-end Infrastructure Securities Investment Fund, jointly promoted by Everbright Jiabao/EBA Investments and Zhangjiang Hi-Tech, was officially listed on the Shanghai Stock Exchange, becoming one of the first batch of public infrastructure REITs approved in mainland China and the first public infrastructure REIT approved in Shanghai. Meanwhile, key investee companies developed stably. CALC showed strong business resilience and climbed to the eighth place in ICF's global ranking of aircraft lessors by fleet size; the number of beds managed by Everbright Senior Healthcare continued to rank among the top three in China and first among central state-owned enterprises ("SOE(s)"); Terminus launched AI Park in Chongqing to build the world's first intelligent pilot zone of AI city, which is one of the first ecological zones using AIoT technology to monitor carbon emissions throughout the life cycle.

In general, the Group achieved good results and progress in the following six aspects including comprehensive strength, strategy implementation and business performance in 2021:

Achieving new progress in overall strength and strategic ranking	• In 2021, the Group's PEI 300 ranking reached 75th, up 9 places from that of 2020, maintaining a good momentum of rise in strategic ranking.
Strengthening core business and achieving great business results	• Continued growth of fundraising: In 2021, the Group added HK$20.3 billion of AUM, bringing the total AUM to HK$203.1 billion, a new record high; • Facilitating the resolution of bottlenecks: The Group continued to enhance the allocation of assets to boost technological innovation in China, and invested in many outstanding companies in, among others, semiconductor and healthcare sectors according to the "four-orientation"[4] strategy; • A number of successful IPOs: In 2021, 15 IPOs in the "three-universal and one-innovative"[5] industries invested by the funds under the Group's management hit the capital markets in mainland China, Hong Kong and the United States; • A new breakthrough in asset size: Total assets exceeded HK$100 billion, up approximately 5% from that at the end of last year; net assets surpassed HK$51 billion, up 3.2% from that at the end of last year; • Overall financial performance was excellent: The Group recorded a total amount of income of HK$5,985 million (please refer to the note contained on page 31 of this report for the calculation method), and a profit attributable to shareholders of the Company of HK$2,573 million, representing a year-on-year increase of 14%.
Strengthening synergy and promoting distinctive integration of industry and finance	• CALC ranked 8th in ICF's global ranking of aircraft lessors, up one place from that of the previous year; • Everbright Senior Healthcare managed 31,000 beds, ranking among the top three in China and the first among central SOEs; • Terminus went global with its smart city strengths and provided support and services for Dubai Expo as the official premier partner; • EBA Investments ranked first in the Top 10 China Real Estate Funds by Comprehensive Strength for seven consecutive years.

Notes:

4 Four-orientation: being oriented to the forefront of the global technology industry, the main economic battlefield, the major needs of the country, and people's life and health.

5 The "three-universal and one-innovative" strategy proposed by Everbright Group refers to focusing on universal environmental protection, universal tourism, universal healthcare and innovative technology industries to develop distinctive advantages in integrated finance, integration of industry and finance, and integration of mainland China and Hong Kong.

Achieving results in coordinating "bringing in and going global" efforts	• 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; • CEL successfully issued RMB4 billion medium-term notes in China's interbank market, which was the largest panda bond issuance by a non-financial company in China's domestic bond market in the first half of 2021; • The US$300 million senior perpetual capital securities were listed on Chongwa (Macao) Financial Asset Exchange (MOX); • CEL obtained a QDLP (Qualified Domestic Limited Partner) pilot quota of US$330 million in Hainan to provide domestic investors with cross-border asset management services; • In 2021, CEL raised over HK$1 billion from top overseas investors at the fund and project level.
Serving national strategies and advancing regional expansion	• Beijing-Tianjin-Hebei region: CEL has a wealth of projects in this region, covering software and network, retail, consumer goods, smart transportation, healthcare, and integrated finance industries, etc.; • Yangtze River Delta region: CEL invested in several projects in this region, mainly in the fields of pharmaceuticals, biotechnology, life sciences, food and beverage and integrated finance; • Guangdong-Hong Kong-Macao Greater Bay Area: In support of Hong Kong's technological transformation and development, CEL worked with Hong Kong Science & Technology Parks Corporation to launch Everbright Hong Kong Innovation Centre and establish CEL Hong Kong Innovation Fund to focus on the commercial application of Hong Kong's achievements in applied sciences and the new infrastructure sector.
Integrating into the new development pattern with achievements in green development	• Everbright Belt & Road Green Fund set up the Strategy Advisory Committee to strengthen the strategic guidance on the fund; the total subscription for the fund increased to RMB3.5 billion; the first direct investment fund was set up in Xi'an with a size of RMB1.85 billion; • A number of technology, environmental and new energy vehicle companies invested by CEL's funds, including Yuanchen Technology, BCCY, Indie and Xpeng, were listed on the STAR Market of Shanghai Stock Exchange, the ChiNext Board of Shenzhen Stock Exchange, Nasdaq and the Stock Exchange of Hong Kong; • To incorporate Environmental, Social and Governance ("ESG") principles into its business decision-making process, the Group improved its ESG system and established the ESG Committee to conduct ESG management in a systematic manner. The Group's MSCI ESG score rose significantly with the scores of several indicators hitting record high.

Key Income Items

(in HK$ hundred million)	2021	2020	Change
Income from contracts with customers, mainly including:	6.59	5.40	22%
– Management fee income	3.40	2.96	15%
– Performance fee and consultancy fee	1.32	1.21	9%
Income from investments, mainly including:	43.15	43.38	(1%)
– Interest income	5.28	4.36	21%
– Dividend income	8.99	7.57	19%
– Capital gain (realised gain or loss)	3.79	20.13	(81%)
– Capital gain (unrealised gain or loss)	24.81	8.23	201%
Income from other sources	(2.77)	1.08	N/A
Share of profits less losses of associates	12.29	5.63	118%
Share of profits less losses of joint ventures	0.59	0.43	37%
Total amount of income	59.85	55.92	7%

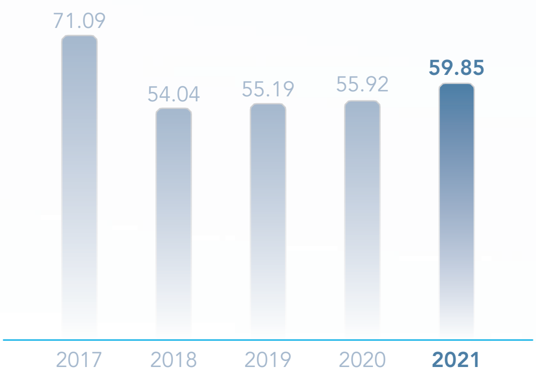
Profit in Key Business Segments

(in HK$ hundred million)	2021	2020	Change
Profit from Fund Management Business	28.42	11.65	144%
Profit from Principal Investments Business:	17.71	33.98	(48%)
– Key investee companies	8.29	14.07	(41%)
– Financial investments	(3.36)	8.10	N/A
– Cornerstone investments (certain equity interests in China Everbright Bank and Everbright Securities)	12.78	11.81	8%
Less: Unallocated corporate expenses, taxes and profit attributable to holders of senior perpetual capital securities	(20.40)	(22.99)	(11%)
Profit attributable to shareholders of the Company	25.73	22.64	14%

Distribution of Equity Attributable to the Company's Shareholders

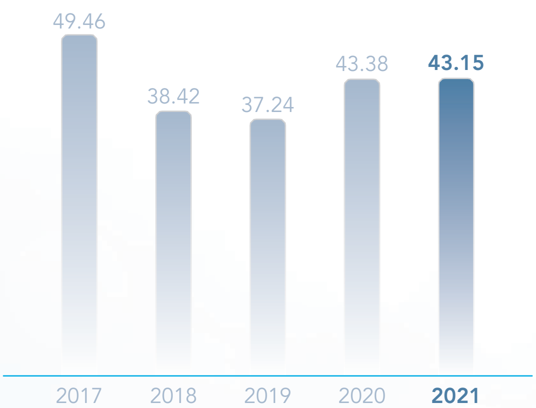
(in HK$ hundred million)	2021	2020	Change
Shareholders' equity (other than cornerstone investments held)	270	254	6%
Cornerstone investments			
– Equity interests in Everbright Securities	135	125	8%
– Equity interests in China Everbright Bank	64	75	(15%)
Total equity attributable to shareholders of the Company	469	454	3%

TOTAL AMOUNT OF INCOME[6]
(HK$ hundred million)

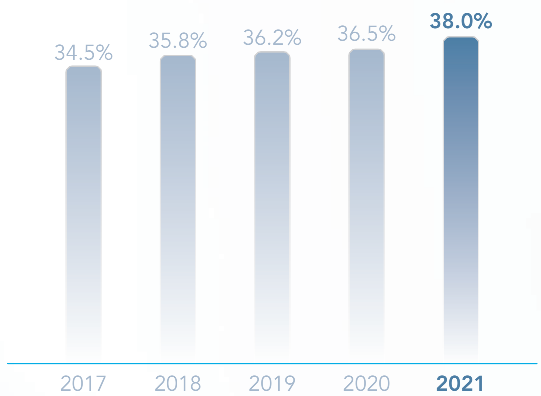


INCOME FROM CONTRACTS WITH CUSTOMERS
(HK$ hundred million)

INCOME FROM INVESTMENTS
(HK$ hundred million)



DIVIDEND PAYOUT RATIO
(%)



Note:

6 The components are set out in the table headed "Key Income Items" on the previous page.

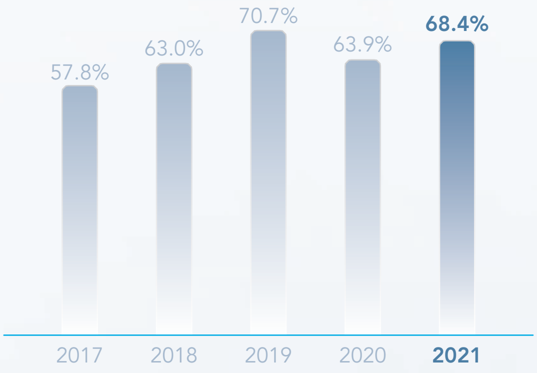
2021 BUSINESS DEVELOPMENT HIGHLIGHTS continued

BASIC EARNINGS PER SHARE

(HK$)

GEARING RATIO[7]

(%)



PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(HK$ hundred million)

TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(HK$ hundred million)

Note:

7 It is calculated as interest-bearing debt (including bank loans + notes payable + bonds payable)/total equity.

2021 REVIEW

BUSINESS REVIEW

In 2021, in the face of great pressure, CEL made steady progress by firmly executing its strategy and promoting business growth actively. CEL made remarkable achievements in fund establishment and fund raising, project investment at home and abroad, project exit, etc. and maintained high-quality development. Key investee companies (CALC, Everbright Senior Healthcare and Terminus) integrated industrial investment and the asset management business to achieve substantial business development during the year.

Important Business Developments

- CEL announced its decision to follow suit with its own 2022 operational carbon neutrality promise at the 24th Beijing Hong Kong Economic Cooperation Symposium, fully participating in promoting the goal of "Green Everbright" of Everbright Group and implementing the national "carbon peak and carbon neutrality" strategy.

- CEL established the ESG Committee to conduct ESG management in a systematic manner and incorporate ESG principles into its business decision-making process.

- CEL worked with Hong Kong Science & Technology Parks Corporation to launch the "Everbright Hong Kong Innovation Centre" to incubate core technology and promote the transformation and development of science and technology in the Greater Bay Area with long-term technological advancement.

- CEL cooperated with Sun Life Everbright Life Insurance to set up its first-ever Secondary Fund.
- CEL launched the "White Paper on the New Technology Investment Strategy", to build a tech-driven "PE + Industry" cross-border asset management platform.

- CEL successfully issued RMB4 billion medium term notes, which was the largest panda bond issuance by a non-financial company in China's domestic bond market in the first half of 2021.

- CEL and IP Group plc, a company listed on the London Stock Exchange, established a joint venture in order to launch a fund to further expand cross-border investment business.

- CEL obtained a QDLP (Qualified Domestic Limited Partner) pilot quota in Hainan Province, further enhancing the Company's leading advantage in the cross-border asset management business.

- CEL, CALC and Commercial Aircraft Corporation of China (COMAC) signed a tripartite memorandum of investment cooperation. CALC signed a sale and purchase agreement with COMAC for purchasing 60 aircraft (including a confirmed order for 30 aircraft and an intended order for 30 aircraft).

- As one of the 12 official premier partners of EXPO Dubai, Terminus showed the world China's latest achievements in AI technology and robotics.

- Everbright Senior Healthcare expanded to 51 cities and managed over 30,000 beds, ranking among the top three in China and first among central SOEs.

SJSEMI

- Walden CEL Global Fund completed its investment in SJ Semiconductor, further enhancing the industrial chain deployment of CEL in the semiconductor field.

BEYONDEXPO
國際科技創新博覽會

- Focus on science and technology and invest in the future. CEL appeared at the Macao BEYOND International Technology Innovation Expo to support Macao's development of distinctive finance and deepen cooperation in technology and innovation.

- CEL continued to promote education for a bright future by promoting Chinese traditional culture among teenagers in Hong Kong. "China Everbright Voice of The Stars Story-Telling Scheme" charity programme was awarded the First Prize for Outstanding Practice Cases of Social Responsibility by Everbright Group.

- With CEL's practice and active promotion and precise planning, CEL focused on the theme of "inheriting the red gene and promoting Everbright culture" to implement a variety of cultural planning and practical activities, effectively enhancing cohesion.

Major Projects Listed in 2021

- Yuanchen Technology, Listed on the STAR Market of Shanghai Stock Exchange in March 2021 (688659.SH)
- BCCY, Listed on the ChiNext Board of Shenzhen Stock Exchange in May 2021 (300614.SZ)
- Jinguan Electric, Listed on the STAR Market of Shanghai Stock Exchange in June 2021 (688517.SH)
- Taboola, Listed on NASDAQ in June 2021 (TBLA)
- CHIVD Chemclin Diagnostics Corporation, Listed on the STAR Market of Shanghai Stock Exchange in April 2021 (688468.SH)
- JD Logistics, Listed on the Stock Exchange of Hong Kong in May 2021 (2618.HK)
- Indie, Listed on NASDAQ in June 2021 (INDI)

- Ambrx, Listed on New York Stock Exchange in June 2021 (AMAM)

- Microtech Medical, Listed on the Stock Exchange of Hong Kong in October 2021 (2235.HK)

- Missfresh, Listed on NASDQ in June 2021 (MF)

- NetEase Cloud Music, Listed on the Stock Exchange of Hong Kong in December 2021 (9899.HK)

- Arbe Robotics, Listed on NASDAQ in October 2021 (ARBE)

- SenseTime, Listed on the Stock Exchange of Hong Kong in December 2021 (20.HK)

AWARDS AND HONORS IN 2021

In 2021, CEL and its professional funds garnered a number of industry authoritative awards and honours, confirming its position as a leading cross-border asset management and investment firm in the industry.

Company's Awards

- CEL ranked 75th in the "Top 100 Global PE Institutions (PEI 300 List)", rising by 9 places compared with the 84th place in 2020.
- CEL was awarded "China Top 30 PE Investment Institutions", "Top 20 Best Foreign PE Investment Institutions in China", "Top 30 Best PE Investment Institution in Guangdong-Hong Kong-Macao Greater Bay Area" by ChinaVenture in 2020 and 2021 respectively.

- CEL was awarded 2020-2021 "Top 20 Chinese PE Investment Institutions", "China Equity Investment Industry Outstanding Social Responsibility Award", "Top 10 Demonstrations of ESG Responsible Investment in China's Equity Investment Industry" by Global PE Forum.

- CEL attained "2021 China Top 50 PE Investment Institutions", "2021 Top 50 State-owned PE Investment Institutions of China" by Zero2IPO Group.
- CEL was awarded "2021 China's Top 20 Investment Institutions in ESG" by 36Kr.

- CEL was awarded "2021 China ESG Award for Best Corporate Governance (G) Case" by Cailian Press.

- CEL was awarded "China Influential PE Investment Institutions Top 50" by China Venture Capital Research Institute ("CVCRI").
- CEL was awarded "Top 10 Best ESG Investment Institutions", "Top 20 Best Returns State-owned Direct Investment Institutions", "Top 20 Best State-owned Direct Investment Institutions" by FoF Research Centre in 2021.

Awards of CEL's Professional Funds

- CEL's Funds-of-Funds ("FoFs"): Awarded "China's Top 10 Market-oriented FoFs", "China's Top 30 Influential LPs" by CVCRI in 2021; "2021 China's Top 10 Direct Investment FoFs", "2021 China's Most Popular FoFs Top 20 among GPs" by 36Kr; "2020-2021 Market-oriented FoFs Top 10" by Global PE Forum; "China's Best Market-oriented FoFs Management Institutions Top 10" by Venture Capital; "China's Best LPs Top 30 " by ChinaVenture; "2021 Best LPs in China's PE Investment Market Top 30" by Zero2IPO Group; "Best Returns State-owned Market-oriented FoFs Top 20", "Best State-owned Market-oriented FoFs Top 20" by FoF Research Centre.

- Funds managed by China Everbright Assets Management Limited, the secondary market fund management platform:
  - Everbright Dynamic Bond Fund was awarded "Best Fixed Income Fund" by HFM Asia Performance Award 2021 and listed as "Best Credit Hedge Fund", "Best Hedge Fund (>US$500 mn)" by Bloomberg Business Week.
  - Everbright Income Focus Fund received the hightest 5-Star Morning Star Rating for Overall and Three-year Period.
  - Everbright Convertible Opportunities Fund was listed as "Fund of Hedge Funds" by HFM.
  - Everbright Convertible Opportunities Fund was listed as "Best Relative Value Hedge Fund" by Bloomberg Business Week.

- Everbright Belt and Road Green Fund: awarded "2021 Best Potential FoFs Top 30" by FoF Research Centre.

- CEL New Economy Fund: awarded "2021 Most Popular Dual Currency PE Institutions among LPs Top 20" by FoF Weekly.

Corporate Social Responsibility and Human Resources Awards

- CEL and China Everbright Charitable Foundation were awarded the "Caring Company"and "Caring Organisation" logos for eleven consecutive years.

- Awarded the "Happy Company" logo for seven consecutive years

- Awarded the "Sport-Friendly Action" Awardee Corporate logo for two consecutive years

- Awarded the "Manpower Developer" for three consecutive years by Employees Retraining Board

Individual Awards

- Dr. Zhao Wei, Chairman of the Board of CEL, was awarded:
  - "China's Best PE Investors Top 50" for two consecutive years by ChinaVenture;
  - "2021 China Influential PE Investor Top 50" for two consecutive years by CVCRI;
  - "2021 Best Returns State-owned Direct Investment Investor Top 20" by FoF Research Center.

- Ms. Zhang Cheng, Jane, Department Managing Director, was awarded:
  - "2021 Most Influential Investor List of China Equity Investment Fund in LP Market";
  - "Best LP Investors Top 30 in China" by Venture Capital;
  - "2021 Best FoFs Investor Top 30" by FoF Research Centre.

- Mr. Wang Yizhe, Department Managing Director, was awarded:
  - "Influential PE Investors in Core Technology" by 21th Century Business Herald;
  - "2021 China Top 5 Outstanding Investors in Core Technology" by EqualOcean.

CHAIRMAN'S STATEMENT

Core Business Indicators Improved Significantly with Sustained Resilience

For CEL, 2021 marked a year of breaking through great pressure and showing strong resilience. In a complex environment featuring the global spread of COVID-19 and rising risks and challenges, the Company, as a cross-border asset management company rooted and listed in Hong Kong, maintained its strategic focus, promoted stable business development, concentrated on improving internal management, and properly dealt with potential risks. With these efforts, the Company took its high-quality development to a new level and achieved satisfactory performance for the year.

CORE BUSINESS INDICATORS IMPROVED SIGNIFICANTLY AND COMPREHENSIVE STRENGTH REACHED A NEW LEVEL

During the reporting period, CEL made steady progress in its key business indicators. Its AUM exceeded HK$200 billion for the first time; total assets crossed the HK$100 billion mark; net assets surpassed HK$50 billion; net profit was over HK$2,772 million, representing an increase of 23% year on year. The dividend distribution increased steadily, with an annual dividend payout ratio of 38%. The Company ranked 75th in the PEI 300 list, an authoritative global ranking of private equity firms, up 9 places from the previous year.

PRACTICING THE NEW DEVELOPMENT CONCEPT AND SERVING NATIONAL STRATEGIES TO HONOUR ITS RESPONSIBILITY

During the reporting period, CEL proactively served the construction of national key regions and set up three new funds in the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area. As an effort to contribute to the Belt and Road Initiative, Everbright Belt and Road Green Fund had the AUM of its master fund and sub-fund increased by RMB2.35 billion during the year. To solidly promote ESG management, the CEL's Board of Directors (the"Board"or the "Director(s)") set up the specialised ESG Committee. CEL helped 3 new energy and environmental companies successfully go public and raise more than HK$10 billion. In an effort to integrate into the new development pattern of "dual circulation", CEL worked with its key investee company CALC to facilitate exports of domestic aircraft and help China's aviation industry develop the international market.

FOCUSING THE REPLACEMENT OF OLD GROWTH DRIVERS WITH NEW ONES AND ACHIEVING GREAT RESULTS IN TECHNOLOGY INVESTMENT

During the reporting period, CEL issued the White Paper on New Technology Investment Strategy, which vows to solidly a tech-driven cross-border asset management platform of "PE + Industry" with PE investment as the core, industry cultivation as the focus, and technology investment as the pillar. In the same period, 15 of the Company's investees went public. Driven by its investments in the technology sector in recent years, the Group’s profit increased significantly during the reporting period.

CAPITALISING ON ITS OWN ADVANTAGES TO MAKE GREAT PROGRESS IN CROSS-BORDER ASSET MANAGEMENT

During the reporting period, CEL collaborated with Hong Kong Science & Technology Parks Corporation to jointly establish Everbright Hong Kong Innovation Centre, with a view to building a cross-border "industry-learning-research-business-investment" ecosystem; was successfully admitted in the first batch of participants in Hainan's QDLP Pilot Programme with a quota of US$330 million; cooperated with top overseas investors at the project level for more than HK$1 billion; and captured a good opportunity to exit its investment in the public transport project in Norway, with a return multiple of approximately 1.8 times and an internal rate of return (IRR) of approximately 17.2%.

STRENGTHENING STRATEGIC GUIDANCE AND BUILDING UP PRESENCE IN KEY INDUSTRIAL FIELDS

During the reporting period, CEL made good progress in building presence in key industries. Specifically, CALC expanded its fleet to 152 aircraft and ranked 8th in ICF's global ranking of aircraft lessors, up one place from the previous year; Everbright Senior Healthcare expanded to 51 cities and managed over 30,000 beds, ranking among the top three in China and first among central SOEs; as one of the 12 global Premier Partners of the Dubai Expo, Terminus provided a range of technological support, such as smart park construction and served 25 million visitors from around the world, demonstrating its technical strength as a leading AIoT company.

ADDRESSING VARIOUS CHALLENGES AND BUILDING A SOLID BOTTOM LINE FOR RISK PREVENTION

During the reporting period, as the external environment became tougher and more uncertain, certain investment portfolio of CEL was under great pressure. In this context, the Company properly handled the problems left over from history and resolved the risks of existing projects; reduced the percentage of real estate investment and promoted the shift of the real estate segment to high-quality development; controlled the gearing ratio at a sound level below 70%; made sufficient provision with fair and conservative valuation approaches to enhance financial resilience and the ability to withstand market fluctuations in the future.

FULFILLING SOCIAL RESPONSIBILITIES TO GIVE BACK TO THE SOCIETY AND SERVE THE PEOPLE'S LIVELIHOOD

During the reporting period, the Company took concrete actions to fulfill its social responsibility as a central SOE in Hong Kong and promote the prosperity and stability of Hong Kong, including participating in the fight against COVID-19, environmental protection, disaster relief, and charity activities, etc. CEL donated 5,500 selected books to 54 associations and schools in Hong Kong, and continued to promote China Everbright Voice of the Stars Story-Telling Scheme which is designed to enable Hong Kong teenagers to better understand Chinese history and had gathered 280,000 streams as of the end of 2021; and sponsored the Hong Kong Special Administrative Region Delegation of the 14th National Games, the Hong Kong Spartan Race, and the Hong Kong Ballet to promote the development of Hong Kong's cultural and sports undertakings. In mainland China, CEL donated RMB500,000 to support flood control and disaster relief efforts in Henan, and completed the donation of RMB1 million of targeted assistance funds.

Our achievements made in the past year have benefited from the strong support of shareholders and investors, as well as the great help of investees and partners. On behalf of myself and the Board, I would like to express my sincere gratitude to all institutions, investors and people from all walks of life who care about and support CEL!

Looking forward to 2022, opportunities and challenges will coexist. Globally, the impact of COVID-19 has eased, but Hong Kong is experiencing major headwinds early this year. Major economies in the world are recovering, but risks such as high global inflation and supply chain disruption still exist. A local war broke out due to geopolitics and its direction is still uncertain, which may have a great impact on the Company's investment portfolio. When it comes to China, the fundamentals for its long-term economic growth have not changed, but it faces pressure from shrinking demand, supply disruption and weakening expectations. It has to overcome the increased risks and challenges.

In 2022, the Board and the management of CEL will continue to firmly implement its strategic goals, steadily promote its development strategy, and strive to build a "top cross-border asset management company in China" that is "responsible, contributing, high-quality and reliable".

Being a responsible asset management company.

The "carbon peak and neutrality" strategy reflects that China is a responsible power. As a listed company, CEL will intensify its "carbon peak and neutrality" efforts in 2022. The Company plans to achieve carbon neutrality at the operational level within the year. CEL will further practice the ESG concept at the investment portfolio level and explore opportunities to invest in the fields of green energy and green manufacturing, in a drive to facilitate green and low-carbon development.

Being a contributing asset management company.

Given the great changes unseen in a century, only by serving national strategies can it make due contribution as a central SOE. In 2022, with a focus on the national innovation-driven development strategy, CEL will continue to support innovative projects and specialised and new enterprises in the fields of manufacturing transformation and upgrading, digital economy, large-scale 5G application, industrial Internet and artificial intelligence, and increase investment in the technology sector to help build a technology power.

Being a high-quality asset management company.

Promoting high-quality development is an inevitable requirement for practicing the new development concept. In 2022, CEL will put more emphasis on development quality, focus on value creation, and optimise its development model. The Company will intensify structural adjustment to lay a solid foundation for its strategic transformation during the 14th Five-Year Plan period.

Being a reliable asset management company.

To build a reputable asset management company trusted by shareholders, employees, customers and all sectors of society, we must make continuous efforts. In 2022, CEL will continue to create sustained and stable dividend returns for shareholders and investors; create a good working and development environment for all employees; develop a harmonious ecosystem for investors and investees to achieve win-win results; fulfill its social responsibility and give back to the society in Hong Kong and mainland China through targeted poverty alleviation, charitable donations, etc.

2022 marks the 25th anniversary of Hong Kong's return to China and the 25th anniversary of the founding of CEL. With its energetic workforce, CEL will uphold the original aspiration of entrepreneurship to bravely forge ahead and strive to create greater value for shareholders and investors, with a view to creating a bright future with all stakeholders in the post-COVID era and becoming a "world-leading cross-border asset management company".

ZHAO WEI

CHAIRMAN

17 March 2022

MANAGEMENT DISCUSSION & ANALYSIS

IN THE FACE OF COMPLEX AND DAUNTING CHALLENGES IN 2021, CEL MADE PROGRESS IN VARIOUS TASKS BY FIRMLY EXECUTING ITS STRATEGY, PROMOTING STEADY BUSINESS GROWTH, PROPERLY HANDLING POTENTIAL RISKS, AND FOCUSING ON INTERNAL MANAGEMENT IMPROVEMENT, SO AS TO MAINTAIN QUALITY DEVELOPMENT.

REVIEW AND ANALYSIS

Macro-economic and Industry Review

In 2021, the global economy began to recover and rebound with major economies recording considerable growth. According to the preliminary statistics released by China's National Bureau of Statistics, China's gross domestic product ("GDP") exceeded RMB114 trillion in 2021, representing an increase of 8.1% over the previous year. The U.S. Department of Commerce reported that the U.S. economy grew by 5.7% in 2021. The GDP growth of 19 countries in the euro area was projected to reach approximately 5% in 2021, according to the EU Commission. The central bank of Japan forecasted a GDP growth in Japan of 2.8% in 2021.

Since the COVID-19 pandemic, global institutional clients and high-net-worth clients have increased their asset allocation in equity investment due to global monetary easing, coupled with the low interest rate market environment and rising inflation expectations. According to the research report of Zero2IPO, the equity investment markets in China and the U.S. both sped up in 2021. Fundraising, investment amount and investment cases in the U.S. venture capital/private equity (PE) market hit new record highs, among which values of fundraising and investment amounted to US$0.43 trillion and US$1.57 trillion, respectively, increasing by 55.2% and 81.3% year-on-year. At the same time, the number of investment cases and investment amount in China's equity investment market set all-time highs, while both the number and the scale of fundraising surged. In 2021, a total number of 12,327 investments with a value of RMB1.42 trillion were made in China's equity investment market, representing a year-on-year increase of 63.1% and 60.4%, respectively. The fundraising value increased by 84.5% year-on-year to RMB2.21 trillion and nearly 9,000 equity investment funds were newly registered.

Although China's economy remained stable overall in 2021, turmoil across industries due to resurging pandemic, dual control of energy consumption and energy intensity, and deleverage pressure in real estate industry as well as strengthened regulatory policies such as internet anti-trust rules, cyber data security, and easing the burden of excessive homework and off-campus tutoring, have imposed great impact on the PE investment industry. The Matthew effect in the PE industry, the pressure on traditional market fundraising, and the strong valuation fluctuation of certain industries, have posed new challenges to the development of the Company. In the face of complex and daunting challenges, CEL made progress in various tasks by firmly executing its strategy, promoting steady business growth, properly handling potential risks, and focusing on internal management improvement, so as to maintain quality development.

Financial Performance in 2021

Income

Key Income Items (in HK$ hundred million)	2021	2020	Change
Income from contracts with customers, mainly including:	6.59	5.40	22%
– Management fee income	3.40	2.96	15%
– Performance fee and consultancy fee	1.32	1.21	9%
Income from investments, mainly including:	43.15	43.38	(1%)
– Interest income	5.28	4.36	21%
– Dividend income	8.99	7.57	19%
– Capital gain (realised gain or loss)	3.79	20.13	(81%)
– Capital gain (unrealised gain or loss)	24.81	8.23	201%
Income from other sources	(2.77)	1.08	N/A
Share of profits less losses of associates	12.29	5.63	118%
Share of profits less losses of joint ventures	0.59	0.43	37%
Total amount of income	59.85	55.92	7%

During the reporting period, the Group achieved a total amount of income[1] of HK$5,985 million, representing an increase of HK$393 million or 7% over last year.

The year-on-year increase in total amount of income was mainly due to the following factors: (1) Benefiting from the continuous growth of the total AUM, the Group's income from contracts with customers further increased to HK$659 million in 2021, representing a year-on-year increase of 22%. Specifically, the Group achieved management fee income of HK$340 million, a year-on-year increase of 15%; performance fee and consultancy fee reached HK$132 million, a year-on-year increase of 9%. (2) During the reporting period, the Group's income from investments was HK$4,315 million, representing a decrease of HK$23 million over last year, remaining relatively stable. Particularly, as the global economy recovered and the capital market preferred sectors such as hard & core technology, the valuation of cross-border business and hard & core technology sector in which the Group previously invested in increased significantly, reflected in the capital gain (unrealised gain) of HK$2,481 million in the financial statements, a year-on-year increase of HK$1,658 million or 201% compared with that of 2020; and compared with 2020, the Group slowed down exit from projects, resulting in a decrease of HK$1,634 million in capital gain (realised gain) compared with that of 2020, a year-on-year decrease of 81%. (3) As the Group's associates and joint ventures benefited from the amelioration of the global pandemic and the steady economic growth of China, these entities' profitability significantly improved. During the reporting period, the Group's share of profits less losses of associates was HK$1,229 million, representing a year-on-year increase of HK$666 million or 118%; share of profits less losses of joint ventures was HK$59 million, representing a year-on-year increase of HK$16 million or 37%.

During the reporting period, the Earned Management Fee Income[2] of the Group amounted to HK$982 million, a year-on-year decrease of HK$36 million or 3.5%. The slight decrease in Earned Management Fee Income was mainly due to the change in the way certain funds-of-funds ("FoFs") received management fees, resulting in the decrease in total management fee of FoFs from HK$233 million in the previous year to HK$141 million in 2021. In addition, some of the Group's existing funds entered the exit stage, and management fee decreased accordingly. As a result of the growth in management fee contributed by funds newly raised in recent years, the Earned Management Fee Income of the Group remained relatively stable overall.

For the purpose of resource allocation and business performance evaluation, the management of the Group adopts Earned Management Fee Income as an additional financial measurement indicator. The adjustments between the Earned Management Fee Income recognised by the Group for the current reporting period and the management fee income presented in accordance with the Hong Kong Financial Reporting Standards include (a) elimination of management fee income from consolidated funds: the Group acts as both the fund manager and the major limited partner in certain funds, where the management fee paid by the fund and the management fee income received by the fund manager are 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 a joint venture with a third party, and the management fees received by such joint venture are presented as the Group's share of profits from the joint venture; (ii) Everbright Jiabao, an associate of the Group, holds 51% interest in EBA Investments, which is included in Everbright Jiabao's scope of consolidation. The Group holds the remaining 49% interest in EBA Investments through another subsidiary and such interest is accounted for as financial assets. The management fee income of EBA Investments is reflected in share of profits of associates of the Group; and (c) other accounting adjustments.

Notes:

1 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.

2 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.

(in HK$ hundred million)	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	2.52	0.94	3.53	0.46	7.45
Secondary market	0.59	0.25	–	0.12	0.96
Funds-of-Funds	0.29	1.08	–	0.04	1.41
Management fee income	3.40	2.27	3.53	0.62	9.82

By business segment, as compared with an income of HK$1,838 million last year, the income from Fund Management Business of the Group during the reporting period amounted to HK$3,881 million, representing a year-on-year increase of 111%. As compared with an income of HK$3,754 million last year, the income from Principal Investments Business amounted to HK$2,104 million, representing a year-on-year decrease of 44%. The income from Fund Management Business includes the management fee income from each fund and the realised and unrealised capital gains generated by the seed capital provided by the Group for each fund. The significant year-on-year increase in Fund Management Business was mainly due to recovery in valuation of primary market funds' projects to various extents and IPOs or increase in valuation of certain projects, which delivered increased investment gains. The decrease in income of the Principal Investments Business was mainly due to decreased investment gains as a result of the changes in the valuation of some financial investment projects, provision for risks and other factors, as well as the exit from projects with higher investment gains during 2020.

Income from key business segments (in HK$ hundred million)	2021	2020	Change
– Income from Fund Management Business	38.81	18.38	111%
– Income from Principal Investments Business	21.04	37.54	(44%)
Total amount of income	59.85	55.92	7%

Profit

The profit attributable to shareholders of the Company for 2021 was HK$2,573 million, representing an increase of HK$309 million or 14% as compared with that last year. Benefiting from the profitable exit from fund projects and the increase in valuation of fund projects, the profit of Fund Management Business was HK$2,842 million, a year-on-year increase of 144%. In 2021, the capital market saw large fluctuation, and the growth rate of the valuation of certain key investee companies slowed down. The Company made prudent provision for impairment of certain investment projects, and the profit of Principal Investments Business was HK$1,771 million, a year-on-year decrease of 48%.

Profit in Key Business Segments (in HK$ hundred million)	2021	2020	Change
Profit from Fund Management Business	28.42	11.65	144%
Profit from Principal Investments Business:	17.71	33.98	(48%)
– Key investee companies	8.29	14.07	(41%)
– Financial investments	(3.36)	8.10	N/A
– Cornerstone investments (certain equity interests in China Everbright Bank and Everbright Securities)	12.78	11.81	8%
Less: Unallocated corporate expenses, taxes and profit attributable to holders of senior perpetual capital securities	(20.40)	(22.99)	(11%)
Profit attributable to shareholders of the Company	25.73	22.64	14%

The Board declared an interim dividend and has recommended to declare a final dividend of HK$0.58 per share in total for 2021 (HK$0.49 per share in total for the last year). As compared with that of 36.5% for last year, the dividend payout ratio was 38%, representing an increase of 1.5 ppt.

Per Share (HK$)	2021	2020	Change
Earnings per share	1.53	1.34	14%
Interim dividend per share	0.28	0.14	100%
Final dividend per share	0.30	0.35	(14%)
Total dividend per share	0.58	0.49	18%

Key Financial Ratios

The Group continued to enhance its operation and management and further reduced its operating costs. In 2021, operating costs reached HK$1,067 million, with an operating cost-to-income ratio of 17.8%, representing a decrease of 2.4 ppt from that of last year. The Group strictly controlled liquidity risks. As at the end of 2021, the Group's debt-to-asset ratio was 49.9%, interest-bearing debt ratio was 68.4%, and current ratio was 106%, which were generally flat compared with those at the end of last year and were at a stable and healthy level.

Key Financial Data[3]	2021	2020	Change
Operating cost-to-income ratio[4]	17.8%	20.2%	-2.4 ppt
Gearing ratio[5]	68.4%	63.9%	+4.5 ppt
Debt-to-asset ratio[6]	49.9%	49.0%	+0.9 ppt
Current ratio[7]	106%	110%	-4.0 ppt

Notes:

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

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

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

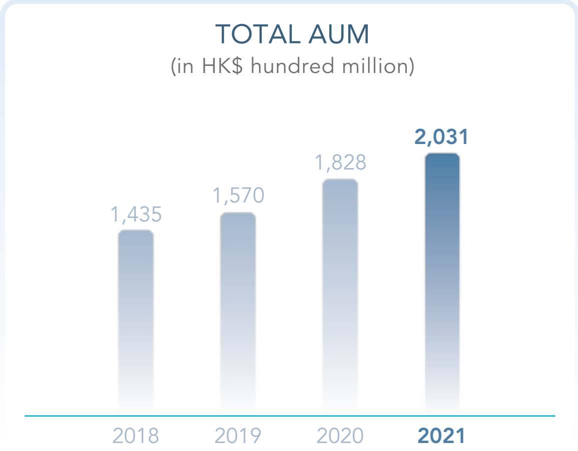
6 Debt-to-asset ratio is calculated as total liabilities/total assets

7 The current ratio is calculated as current assets/current liabilities

Business Performance Analysis in 2021

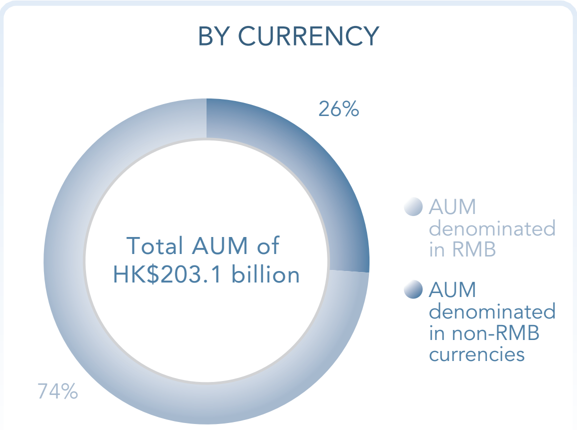
Fund Management Business

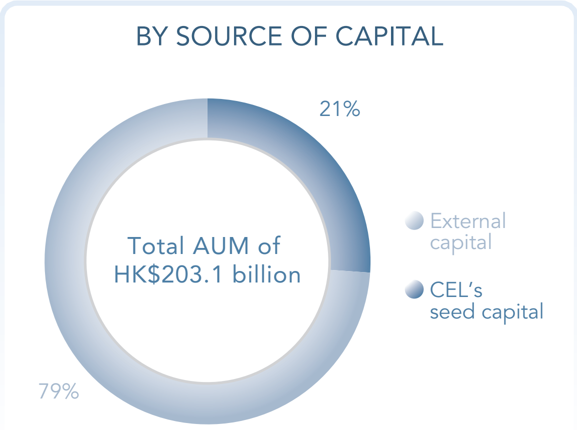
In 2021, the Group continued to increase fund raising size and maintained its market position as a leading fund management institution in China. In the globally authoritative PEI 300 ranking, CEL ranked 75th, 9 places higher than the ranking of last year.



The total AUM of the Group's funds reached approximately HK$203.1 billion as at 31 December 2021, representing a growth of 11% as compared with the end of 2020. In terms of source of funding, the Group's seed capital accounted for 21%; and the funds from external investors accounted for 79% of the AUM, where 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 equivalent to approximately HK$150.8 billion and HK$52.3 billion, accounting for 74% and 26% of the total amount, respectively. In terms of the nature of funds, the Group's Fund Management Business managed 45 primary market funds, 31 secondary market funds and accounts and 8 FoFs products. During the reporting period, the Group's Fund Management Business exited, fully or partially, from 42 projects, recording a cash inflow of approximately HK$3,811 million.

DISTRIBUTION OF AUM OF CEL





Primary Market Funds

As at 31 December 2021, 45 primary market fund products were under the management of the Group, with an aggregate AUM equivalent to approximately HK$130.7 billion and 157 projects under management, out of which amounts equivalent to approximately HK$108.9 billion and HK$21.8 billion were denominated in RMB and other currencies, accounting for 83% and 17% of the total amount, respectively.

During the reporting period, the Group's first secondary fund, CEL Linghang (Shenzhen) Private Equity Investment Fund (光控領航(深圳)私募股權投資基金) ("CEL Linghang Fund"), was successfully established. The fund was promoted and established by the Group and Sun Life Everbright Life Insurance Company Limited ("Sun Life Everbright Insurance"), with a scale of RMB400 million for the first phase. The successful launch of the first secondary fund will further diversify and improve the product lines of the Group.

Representative Primary Market Funds Established in 2021

Name of Fund	Time of Establishment	Currency	Amount in Original Currency (in hundred million)	Amount in HK$ (in hundred million)
CEL Kunshan Fund	December 2021	RMB	10.00	12.23
Shaanxi Direct Investment Fund	December 2021	RMB	18.51	22.64
Kunpeng Forebright Fund	July 2021	RMB	10.00	12.23
CEL Linghang Fund (Secondary Fund)	June 2021	RMB	4.00	4.89

Secondary Market Funds

By drawing upon its own advantages, the secondary market fund team has built a one-stop diversified product platform with years of cross-border experience. The product lines cover Asian credit 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. Up to 31 December 2021, the Group's secondary market team managed a total of 31 funds and accounts with AUM of approximately HK$44.1 billion. In terms of product categories, fixed income products, equity products as well as PIPE and NEEQ market products accounted for 86.45%, 12.97% and 0.58% 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. Since its launch in December 2012, the flagship credit product Everbright Dynamic Bond Fund has delivered a return of 59% net of fees and an annualised return of 5.2%. During the reporting period, the fund received the Best Fixed Income Fund award in HFM Asia Hedge Awards 2021, demonstrating the recognition of the team's investment ability and comprehensive strength by international rating agencies. Everbright Convertible Opportunities Fund, a flagship Asian convertible bond product, delivered a return of 11.91% net of fees during the reporting period, with AUM exceeding US$150 million. Since its launch in January 2014, Everbright Convertible Opportunities Fund has achieved an accumulative return of 88.07% net of fees with an annualised return of 8.22%.

CEL's secondary market team also actively participated in collaboration with relevant business units under Everbright Group to develop in-depth cooperation to achieve synergy. The Group served as investment adviser to manage Everbright Income Focus Fund, a public bond fund in Hong Kong, for Everbright Securities International. The size of the fund exceeded US$100 million. During the reporting period, the fund achieved a return of 2.52% net of fees, with an annualised return of 5%, successfully attracting funds from well-known domestic insurance groups in 2021. The product was awarded five-star rating (being the highest rating) by Morningstar, an authoritative fund rating agency, in overall rating and three-year rating for its outstanding performance and risk-adjusted returns.

Funds-of-Funds ("FoFs")

CEL's FoFs invest not only in external funds with proven track record and robust governance, but also funds launched and managed by CEL, and co-invest or directly invest in equity projects. Up to 31 December 2021, CEL's FoFs team managed 8 FoFs with AUM of over RMB23.1 billion, equivalent to approximately HK$28.3 billion.

In 2021, CEL's 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 regions in China to become investors of the FoFs. The development model of FoFs has received wide recognition from many local governments. Currently, there are 83 invested projects (sub-funds and co-invested equity projects) under the FoFs. By the end of 2021, a total of 62 investees in the invested sub-funds and co-invested projects of the FoFs were listed, 26 of which were listed in 2021.

During the reporting period, due to its outstanding performance, CEL's FoFs was awarded 2021 China's Top 10 Direct Investment FoFs and 2021 China's Most Popular FoFs Top 20 among GPs by 36Kr; China's Most Popular FoFs Top 20 among GPs in 2021 by ChinaVenture; 2021 China's Top 30 Institutional Limited Partners in the Equity Investment Market by Zero2IPO (in particular CEL Jiangsu Liyang Fund-of-Funds under the Group's management received the title of 2021 China's Top 50 Government Guided Funds), 2021 China's Top 10 Market-oriented FoFs and 2021 China's Top 30 Influential Limited Partners by China Venture Capital Research Institute, and 2021 China's Top 5 Market-oriented FoFs by FoF Research Centre.

As at 31 December 2021, the FoFs products are listed below:

Name of Fund	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	61.2
CEL-CMB Fund-of-Funds	March 2017	RMB	50	61.2
CEL Hunan Fund-of-Funds	August 2018	RMB	51	62.4
CEL Jiangsu Liyang Fund-of-Funds	November 2018	RMB	20	24.5
Taizhou CEL Big Health Industry Fund	November 2019	RMB	10	12.2
Guangzhou CEL Guangzhou-Hong Kong-Macao Youth Venture Fund-of-Funds	December 2019	RMB	10	12.2
CEL Suzhou Fund-of-Funds	December 2019	RMB	15	18.3
CEL Ganzhou Fund-of-Funds	November 2020	RMB	25	30.6
Total			231	282.6

Real Estate Investment and Asset Management Business

As at 31 December 2021, Everbright Jiabao managed 37 projects through EBA Investments, with AUM of approximately RMB46.5 billion, equivalent to approximately HK$56.9 billion.

In 2021, China's real estate industry underwent profound changes and adjustments, presenting new challenges and opportunities to the business development of Everbright Jiabao/EBA Investments. During the reporting period, Everbright Jiabao/EBA Investments continued to strengthen refined management. Everbright Jiabao's weighted financing cost further improved. EBA Investments' projects made positive progress in terms of construction, operation, sales and financing. As China's real estate industry accelerates its transformation to the inventory-centric era, Everbright Jiabao/EBA Investments is well positioned to possess stronger competitive advantage with its full-cycle real estate asset management capabilities.

In 2021, EBA Investments continued to expand its own commercial brand presence and strengthened cooperation with enterprises with good project resources and shareholder background, striving to achieve leap-forward improvement in management scope and management capabilities. During the reporting period, EBA Investments added a number of projects, such as Zhengzhou CITY IMIX Park and Chongqing Banan IMIX Park, increasing the number of IMIX Park shopping malls under management to 22, with a total construction area of more than 2.5 million m^2. The Chongqing Dazu IMIX Park block, the EBA Hongqiao Centre IMIX ART PARK, the Hefei Greenland IMIX Park, and the Zhengzhou CITY IMIX Park managed by EBA Investments opened successfully and received positive market response. In addition, during the reporting period, 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 premium office experience to its tenants.

In addition, EBA Investments continued to participate in the pilot work of China's publicly-offered infrastructure REITs. The EBA Technology Park (光大安石科技園) project under its management differentiated from various quality projects and became one of the first batch of approved publicly-offered infrastructure REITs projects in the mainland China and the first one in Shanghai in May 2021. With the project as the underlying asset, 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) was listed on the Shanghai Stock Exchange on 21 June 2021 and well received by various investors in the market, with an offline enquiry ratio of 10.07 times. As at 31 December 2021, the total market value of Huaan Zhangjiang Everbright Park REITs had increased by 25% compared with the fund issuance size. During the reporting period, EBA Investments was ranked the 1st for seven consecutive years among the Top 10 Funds in terms of Comprehensive Strength among China Real Estate Funds jointly released by Property Research Institute of Tsinghua University and China Index Academy.

In August 2020, Zhuhai EBA Yida Management Centre, L.P. ("EBA Yida") was established by EBA Investments to use appropriate channels and methods to invest in real estate projects, primarily for urban renewal, focusing on investing in first-tier cities in China as well as second- and third-tier cities with a healthy and well-developed real estate market in China. The following table sets forth information on the major projects invested by EBA Yida during the year:

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

Principal Investments Business

The Group strives to achieve the following 3 objectives through its principal investment: (1) key investee companies: investing in and fostering enterprises with promising development prospects; (2) financial investments: maintaining flexible liquidity management through investment in structured financing products and obtaining stable interest income; capitalising on the co-investment opportunities brought by the fund management business and participating in equity and related financial investments to obtain strong investment returns; (3) cornerstone investments: holding a portion of the equity interest in China Everbright Bank and Everbright Securities to obtain stable dividends and investment returns.

As at 31 December 2021, the principal investments business managed 72 post-investment projects with an aggregate carrying amount of approximately HK$42.0 billion. Among these, the total carrying amount of equity interest held in CALC, Everbright Senior Healthcare and Terminus was approximately HK$7 billion; the fair value of financial investments was approximately HK$15.1 billion; the fair value of the cornerstone investments in China Everbright Bank was HK$6.4 billion, and the carrying amount of Everbright Securities accounted for as an associate was HK$13.5 billion.

Principal investment (in HK$ hundred million)	2021 year-end	2020 year-end
– Key Investee Companies	70	58
– Financial Investments	151	146
– Cornerstone Investments	199	200
Total	420	404

Key Investee Companies

CALC

CALC, an associate of CEL, is a one-stop full life-cycle solutions provider for global airlines. CALC's scope of business includes regular operations such as aircraft operating leasing, leaseback after purchase 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. At the same time, CALC has the advantages of dual-platform financing, leasing and sales channels, as well as strong capability and rich experience in financing both domestically and abroad.

As at 31 December 2021, CALC had 152 aircraft in its fleet (including 127 owned and 25 managed aircraft). In 2021, CALC delivered 34 aircraft, including 13 new aircraft and 21 used aircraft, and completed sales of 9 aircraft. CALC's clientele has been enlarged to airlines in 17 countries and regions. Among the 127 owned aircraft in CALC's fleet, 76% were leased to clients from China (including Hong Kong, Macao and Taiwan) where the epidemic was well under control, and 89% were narrow-body aircraft with stable value and high market demand. Whether in terms of geographical or aircraft type distribution, CALC is well-positioned in the industry. 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.

Everbright Senior Healthcare

During the reporting period, in strict compliance with policies such as the 14th Five-Year Plan, the 14th Five-Year Plan on Developing the Aging Industry and the Opinion on Strengthening the Aging Industry in the New Era, Everbright Senior Healthcare seized the development opportunities in China's healthcare industry to set up a three-level elderly service model supported by institutional and community-based elderly services and supplemented by in-home elderly services. Everbright Senior Healthcare created a "Senior Healthcare +" model to boost development by "Insurance + Senior Healthcare", transformation by "Medical + Senior Healthcare" and branding by "Service + Senior Healthcare", and a standard operation system featuring unified service standards, middle- and back-office operations and central procurement. By building a smart elderly care platform and following the principle of light-asset and high-quality development, Everbright Senior Healthcare pressed ahead with a diversified industrial deployment with rehabilitation and nursing as its core services and travel senior healthcare services as a complement to its core business.

Up to 31 December 2021, Everbright Senior Healthcare has formed a "3+X" national deployment covering Beijing-Tianjin-Hebei region, Yangtze River Delta, Chengdu-Chongqing region, Guangdong-Hong Kong-Macao and 51 cities across the country, with 31,000 beds under management and more than 170 service institutions. As an industry leader in adhering to standards, Everbright Senior Healthcare has been certified by the ISO9001 quality management system, ISO14001 environmental management system, ISO45001 occupational health and safety management system, 5A certification in elderly service and 4A certification in standards. Its senior healthcare institutions were equipped with the smart senior healthcare 2.0 platform, and its information operation kept improving. The "Insurance + Senior Healthcare" product jointly launched by Everbright Senior Healthcare and Sun Life Everbright Insurance scaled up rapidly, with a large number of potential users in the pipeline for the elderly care community. Everbright Senior Healthcare has unique advantages in brand reputation, service professionalism, industry popularity and customer loyalty. It ranked first in 2021 Top 10 Chinese Elderly Care Institutions for Operational Performance released by Guandian Index, and has become one of the leading elderly care enterprises serving for the benefit of people in China.

Terminus

During the reporting period, Terminus officially released a full series of products based on the CityOS-TACOS city operating system, a new generation of CityOS-TACOS and a variety of AI industry clouds to achieve intelligent urban scenarios and create ecological solutions. Guided by the strategy of "carbon peak and carbon neutrality", Terminus actively participated in the formulation of carbon neutrality standards together with influencers from the industry. In addition, Terminus created and promoted AIoT solutions for the above strategy, and took the lead in implementing a new generation of zero-carbon smart city model in Chongqing, making it a practitioner and pioneer in pursuit of carbon neutrality. Terminus is making breakthroughs on its way to becoming an international company. Terminus' robot named Titan was successfully delivered during the Expo Dubai, and provided tourists with intelligent services and interactive exchanges, putting Chinese science and technology under the spotlight of the world stage. Besides, Terminus set up its Middle East and North Africa (MENA) headquarters in Dubai to further expand its international business. Terminus's Jiuzhang AI algorithm platform was awarded at 2021 International Conference on Computer Vision (ICCV) and 2021 China Conference on Knowledge Graph and Semantic Computing (CCKS). Terminus' Titan robot won the world-leading iF Design Award (Germany) and Good Design Award (Japan). Terminus was awarded Top 3 IoT Hard Core Enterprise of the Year by 36 Kr, and 2021 Top 20 Enterprise for Global Innovative Application of AIoT by EqualOcean, both of which received high recognition in the industry.

The carrying amount of equity interests in Terminus held by the Group through its principal investments business and fund management business accounted for more than 5% of the Group's total assets, and the investment was regarded as a significant investment of the Group. During the reporting period, the Group subscribed for approximately 285,000 ordinary shares in Terminus at a consideration of HK$147 million, representing 0.77% of the total share capital of Terminus. As at 31 December 2021, the Group held approximately 10.4 million ordinary shares in Terminus, representing 27.99% of the total share capital of Terminus, with an investment cost of approximately HK$2.7 billion. The equity interests in Terminus held by the Group are accounted for as financial assets at fair value through profit or loss. As at 31 December 2021, the fair value of the shares in Terminus held by the Group was HK$5.8 billion, accounting for 11.3% and 5.7% of the Group's net assets and total assets respectively. During the reporting period, the Group recorded a capital gain (unrealised gain) of HK$797 million due to the increase in the fair value of the shares in Terminus held by the Group.

Financial Investments

CEL's financial investments with 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. Up to 31 December 2021, CEL's financial investments amounted to HK$15.1 billion, with the aggregate valuation of top 10 projects amounting to HK$8.1 billion.

Cornerstone Investments

As at 31 December 2021, the carrying amount of certain equity interests in Everbright Securities and China Everbright Bank held by the Group as cornerstone investments 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 cornerstone investments held by the Group accounted for in aggregate 38.9% and 19.5% of the Group's net assets and total assets, respectively.

Everbright Securities (601788.SH)

Established in 1996 with its headquarters in Shanghai, Everbright Securities is one of the first 3 innovative pilot securities firms approved by the China Securities Regulatory Commission. As at 31 December 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$13.5 billion, accounting for 26.4% and 13.2% of the Group's net assets and total assets respectively. Based on the closing price of RMB14.93 per share as at 31 December 2021, the fair value of the shares in Everbright Securities held by the Group was HK$17.5 billion. During the reporting period, the Group's share of profit from Everbright Securities as an investment in associate was HK$875 million, representing a year-on-year increase of 55%.

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 31 December 2021, the Group held 1.57 billion A-shares in China Everbright Bank, representing 2.91% of the total share capital of China Everbright Bank, with an investment cost of HK$1,407 million. The shares in China Everbright Bank held by the Group is accounted for as equity investments designated at fair value through other comprehensive income. Based on the closing price of RMB3.32 per share as at 31 December 2021, the carrying amount and fair value of the shares in China Everbright Bank held by the Group was HK$6.4 billion, accounting for 12.5% and 6.3% 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

Given the rising COVID-19 vaccination rate, the adjustment of anti-COVID-19 policies around the globe, and the ongoing loose monetary policies of major economies, the global economy is rebounding while facing many constraints. In particular, the headwinds arising from the COVID-19 pandemic and geopolitical factors, including the global industry/supply chain disorder, rising commodity prices, and energy supply shortage, exacerbate the uncertainty of the economic recovery. Moreover, the upcoming monetary policy shift of the United States will likely bring challenges to the global recovery momentum and financial stability. According to the World Bank's forecast, as the new threats posed by COVID-19 variants and the aggravation of inflation, debt and income inequality will disrupt the recovery, global economic growth will start to slow down from 5.5% in 2021 to 4.1% in 2022, and may further decline to 3.2% in 2023. According to the Report on the Work of the Government of China, China's economic growth is expected to be around 5.5% in 2022. Given the above global macroeconomic uncertainties, CEL will adopt the development strategy of giving priority to stability, seeking progress in stability and pursuing excellence in progress in 2022 to maintain overall stability, make steady progress and achieve the goal of seeking excellence, and fully implement the new development philosophy to steadily promote quality transformation.

The Group is firmly committed to the strategic objective of becoming a global leading cross-border asset management company. In terms of strategic directions, we will focus on our principal business–asset management to gradually promote asset-light transformation, constantly expand AUM, increase the proportion of management fee income and performance fee income, and improve capabilities in making stable profits. In terms of business development, the Group will further broaden fundraising channels, innovate in fundraising incentives, and plan blockbuster funds with high standards. We will improve investment research capabilities, explore the reform of investment research management system, and strengthen research on policies, industries, sectors, and companies, so as to improve value discovery and investment professionalism. We will strengthen post-investment management, and implement differentiated management of entities and investment projects at all levels. We will capture appropriate exit windows to create more value from post-investment management and investment exit.

The Group will proactively serve China's national strategies, fully support the development of the real economy, undertake its social responsibility as a central SOE in Hong Kong, and intensify the investment in the "three-universal and one-innovative" industries. We will further increase investment and development in technology, high-end intelligent manufacturing and other related industries based on the new pattern dominated by domestic circulation. Focusing on the information and intelligent transformation of large enterprises and urban systems, we will leverage Everbright's advantages to invest in new infrastructure, 5G and AIoT and other sectors. The Group will continue to improve its risk management system, enhance its internal control and compliance management mechanism, step up the establishment of its risk management information system, and improve the timeliness and forward-looking of risk alert, so as to boost risk prevention and control capabilities. In the field of social responsibility, we will actively integrate ESG principles into business development and corporate governance, and strive to achieve carbon neutrality at the operational level of CEL's headquarters in 2022. We will undertake our social responsibility as a central SOE in Hong Kong by supporting social service projects in the fields of education, sports, art, poverty alleviation, etc.

We are in a world that one will retreat if he does not advance. In the post-COVID-19 era, the Group will stick to its strategic objectives, actively refine and adjust strategies, maintain a high risk awareness, and safeguard the bottom line of risks. In the meantime, the Group will proactively integrate into the new development pattern, put into practice the national strategies, insist on tech-driven PE+ industry development, and increase investment in the "three-universal and one-innovative" industries, in an effort to make its investment and asset management business bigger and stronger.

FINANCIAL POSITION

As at 31 December 2021, the Group's total assets amounted to HK$101.8 billion with net assets amounted to HK$51.0 billion. Equity attributable to equity shareholders of CEL per share was HK$27.9, increased by 3.3% compared with 2020 year end. As at 31 December 2021, the Group's gearing ratio increased to 68.4% (31 December 2020: 63.9%).

FINANCIAL RESOURCES

The Group adopts a prudent approach to cash and financial management to ensure proper risk control and low cost funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 31 December 2021, the Group had cash and bank balances of HK$7.2 billion, decreased by HK$2.1 billion compared with the end of 2020. Currently, most of the Group's cash, representing 91%, is denominated in Hong Kong dollars and Renminbi.

BORROWING

The Group will review and ensure sufficient banking facilities to reserve resources to support its business development. As at 31 December 2021, the Group had banking facilities of HK$31.9 billion, of which HK$10.0 billion had not been utilised. The banking facilities were of one to eleven years' terms. The Group had outstanding bank loan of HK$21.9 billion, of which HK$19.0 billion was unsecured, increased by HK$3.7 billion compared with the end of 2020. The Group had issued corporate bonds with outstanding principal amount of HK$13.0 billion. The interest bearing borrowings were mainly denominated in Renminbi, representing about 44% of the total, and the remaining were mainly denominated in Hong Kong dollars, United States dollars, Singapore dollars and Australian dollars. As at 31 December 2021, approximately 60% of the Group's total principal amount of borrowing were at floating rates and the remaining 40% were at fixed rates. The maturity profile of the Group's borrowings is set out in note 35 of the Notes to the Financial Statements in this Annual Report.

PLEDGE OF ASSETS

As at 31 December 2021, restricted bank balances of HK$49 million were pledged to the banks for sales of mortgaged properties to customers and interest reserve account on borrowings, and HK$212 million were used to secure certain bonds payable of the Group. Investment properties, property, plant and equipment, inventories and shares with carrying value of HK$4,759 million, HK$23 million, HK$438 million and HK$1,650 million, respectively, are mortgaged to secure certain bank loans granted to the Group. Pursuant to the prime brokerage agreements entered with the prime brokers of a fund held by the Group, cash and securities deposited with the prime brokers were secured against liabilities to the prime brokers. As at 31 December 2021, assets deposited with the prime brokers included HK$1,618 million and HK$89 million which formed part of the Group's trading securities and debtors respectively.

EMPLOYEES

As at 31 December 2021, the Group's headquarters and fully owned subsidiaries had 282 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

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. Brief descriptions of the Group's approach in managing these risks are set out in the Risk Management Report on pages 122 to 129 and Note 39 of the Notes to the Financial Statements in this Annual Report.

By order of the Board
China Everbright Limited
Zhao Wei
Chairman

Hong Kong, 17 March 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

ABOUT THIS REPORT

This Environmental, Social and Governance (ESG) Report ("Report") is issued by China Everbright Limited ("CEL" or the "Company" together with its subsidiaries, hereinafter referred to as the "Group") (stock code: 165.HK). This report was confirmed and approved by the Board of Directors of the Company (the "Board" or the "Director(s)") on 17 March 2022.

Reporting Standards and Content

This Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and the Global Reporting Initiative ("GRI") Standards: Core option. This Report covers the sustainability strategies and performance of the Company and its subsidiaries[1] (including Hong Kong headquarters and regional offices in Mainland China) for the period from 1 January 2021 to 31 December 2021 (the "reporting period").

In addition, the Group fully supports the United Nations Sustainable Development Goals ("SDGs") and is committed to integrating them into our environmental and social management strategy. In 2021, we continued to review our sustainability plans and identified 9 SDGs that are most relevant to our business.

3 GOOD HEALTH AND WELL-BEING

- We are committed to providing a safe working environment to protect employees from occupational hazards, and have implemented a number of caring measures to protect employees' health. In recent years, we have also actively participated in and supported the sight-saving campaigns of "Lifeline Express" and "Orbis", hoping to restore eyesight to the visually impaired around the world.

4 QUALITY EDUCATION

- Through the China Everbright Charitable Foundation ("CECF"), we continue to promote various educational work and development, and contribute to nurturing the future pillars of our society and country. At the same time, we vigorously invest resources to promote the long-term professional and personal development of our employees.

5 GENDER EQUALITY

- We ensure equality in our human resource management structure such as salary levels, training opportunities and career prospects are not affected by gender, thereby achieving gender equality.

8 DECENT WORK AND ECONOMIC GROWTH

- We provide employees with diversified training opportunities and broad opportunities for career advancement, respect the rights and interests of employees, and strive to build a high-quality talent team.

10 REDUCED INEQUALITIES

- We are committed to promoting diversity and inclusion, and uphold the principles of fair and impartial human resources management in areas such as recruitment, promotion, training and assessment to protect the basic rights of employees.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- We strive to create an environmentally friendly and sustainable office environment, and have taken a number of environmental protection measures in areas of greenhouse gas emissions, energy use, water consumption and material use, hoping to maintain effective business operations while minimising the impact on the environment.

13 CLIMATE ACTION

- We actively invest in carbon neutrality and green energy to build a zero-carbon economic system. At the same time, we strive to achieve "carbon neutrality" at the operational level by the end of 2022 through various measures including increasing the proportion of renewable energy, promoting energy savings and reducing consumption.

16 PEACE AND JUSTICE STRONG INSTITUTIONS

- We maintain a high level of corporate governance and operate our business by upholding the highest ethical and responsible principles, so as to continuously protect and safeguard the rights and interests of our stakeholders.

17 PARTNERSHIPS FOR THE GOALS

- We closely collaborate with stakeholders from all walks of life to build long-term partnerships of mutual trust, and exert our strengths in different fields to actively promote sustainable development. We also incorporate environmental, social and governance ("ESG") factors and considerations into our investment decisions and practices, which not only provide better returns for investors, but also help bring positive impacts to society and the world.

Note:

1 With regards to the detailed sustainability performance of Ying Li International Real Estate Limited ("Ying LI") (SGX: 5DM), a listed subsidiary of the Group, please refer to its sustainability report section under its annual report, which is expected to be published by the end of April 2022. It will be made available on the websites of the Singapore Stock Exchange (www.sgx.com) and Ying Li's corporate website (www.yingligj.com). As such, the data in this Report do not include data from Ying Li. Besides, the descriptions of CEL's major investee and key investee companies, which are not accounted for as subsidiaries in the consolidated financial statements of the Company, detailed in this Report are voluntary and additional disclosures beyond current compliance requirements.

REPORTING PRINCIPLES

This Report is based on seven reporting principles: materiality, quantitative, balance, consistency, stakeholder inclusiveness, sustainability context and completeness:

Materiality	We regularly conduct materiality assessments to identify material ESG issues of concern to us and our stakeholders, and to ensure that these issues are reflected in this Report.
Quantitative	We strive to present quantitative information with explanations.
Balance	We disclose the positive and negative impacts of our business in a transparent manner.
Consistency	This Report has been compiled as consistently as possible as our past reports to allow readers to make meaningful comparisons of our ESG performance.
Stakeholder Inclusiveness	We have a broad range of stakeholders, including shareholders, investors, clients, collaborating partners, employees, suppliers, media, communities and NGOs.
Sustainability Context	Apart from the significant environmental, social and governance factors, the sustainability context of this Report also includes sustainable development goals and climate-related financial risks.
Completeness	We consistently incorporate material topics, topic boundaries, relevant significant impacts, and stakeholder views into this Report, and adhere to the above six reporting principles to ensure complete disclosure.

ACCESS OF THE REPORT

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

CONTACT US

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

BOARD OVERSIGHT OF ESG AND CLIMATE MATTERS

In 2021, CEL has adhered to our long-term development mission by establishing an Environmental, Social and Governance Committee ("ESG Committee") under the Board to fully incorporate ESG factors into our governance structure and investments.

Under the authority of the Board, the ESG Committee is responsible for formulating the Company's ESG, climate change and responsible investment policies, strategies and objectives; supervising the Company's performance and effectiveness in implementing ESG, climate change and responsible investment related measures; identifying and evaluating ESG and climate change related material topics and their priority that are relevant to our operations and/or our stakeholders; and reporting to the Board on relevant matters. The ESG Committee is also tasked with reviewing our ESG report and provide suggestions to the Board. The Board is responsible for overseeing the ESG Committee's tasks and reporting, and reviewing and approving the our ESG report.

The Board has reviewed the material ESG issues, and will manage and monitor these issues, and take them into consideration when determining the Company's business direction and strategy.

MATERIALITY ASSESSMENT AND STAKEHOLDER ENGAGEMENT

Stakeholders play an important role in our business development and strategy. Therefore, in order to continuously review and improve our sustainability performance, we regularly communicate with our stakeholders through a variety of channels and strive to understand their emerging expectations and needs.

Our stakeholders include individuals and organisations, both inside and outside the company, that have a significant impact on, or may be significantly affected by our business.

STAKEHOLDER GROUP	COMMUNICATION CHANNEL	KEY CONCERNS
Shareholders and Investors	• General meeting • Regular reports and announcements • Investor forum • Site visit • Email, meeting	• Economic Performance • Environmental Compliance • Coping with Climate Change • Anti-corruption
Clients and Collaborating Partners	• Email, meeting • Customer satisfaction survey • Grievance channels	• Product Responsibility • Responsible Investment • Customer Privacy
Employees	• Email, intranet, meetings • Annual review • Training and community events • Questionnaire • Grievance channels	• Employee Welfare • Occupational Health and Safety • Diversity and Equal Opportunity
Suppliers	• Supplier screening and evaluation • Supplier conference • Email, meeting	• Procurement Practices • Supplier Management
Media	• Press conference • Regular reports and announcements • Interview	• Economic Performance • Environmental Compliance • Social Investment
Community and NGOs	• Sponsorship and charitable contribution • Community activity	• Social Investment • Responsible Investment • Coping with Climate Change

MATERIALITY ASSESSMENT

To better reflect the concerns of stakeholders and the Group's impact on the economy, environment and society in this Report, we commissioned an independent consultant to conduct a comprehensive questionnaire to our stakeholders this year.

Through the following three steps, we identified the sustainable development issues most relevant to CEL, prioritised key issues and produced a materiality matrix according to the principles defined in the GRI Standards, thereby establishing the reporting boundary and scope.

IDENTIFY KEY ISSUES

Independent consultants conduct surveys with our stakeholders by questionnaires to collect their views on CEL's environmental, economic and social performance.

PRIORITISE ISSUES

Independent consultants prioritise issues based on stakeholders' importance to the issues and the issues that have a significant impact on the Group and expressed through a materiality matrix.

VERIFY KEY ISSUES

The Board verifies important issues and ensures that they are consistent with CEL's development strategy.

MATERIALITY MATRIX

The Materiality Matrix below shows the relative importance of each sustainability issue to stakeholders and the significance of economic, environmental and social impacts. The top twelve issues with the highest importance will be considered as crucial issues and will be elaborated in detail in this Report.

MATERIAL TOPICS

Sustainability Categories	Material Topics and Stakeholders' Concerns	Boundaries		Relevant GRI Standards	Highly Related SDGs
		Within the Group	Outside the Group		
Economic	1 Responsible Investment	✓	✓	Not Applicable	17 PARTNERSHIPS FOR THE GOALS
	2 Economic Performance	✓	✓	GRI 201	8 DECENT WORK AND ECONOMIC GROWTH
	8 Anti-corruption	✓	✓	GRI 204	16 PEACE AND JUSTICE STRONG INSTITUTIONS
	12 Indirect Economic Impact	✓	✓	GRI 203	8 DECENT WORK AND ECONOMIC GROWTH
Environment	10 Environmental Compliance	✓	✓	GRI 307	13 CLIMATE ACTION
	3 Product Responsibility	✓	✓	GRI 417	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 16 PEACE AND JUSTICE STRONG INSTITUTIONS
Social	4 Diversity and Equal Opportunity	✓	✓	GRI 405	5 GENDER EQUALITY; 10 REDUCED INEQUALITIES
	5 Socio-Economic Compliance	✓	✓	GRI 419	16 PEACE AND JUSTICE STRONG INSTITUTIONS
	6 Training and Education	✓	✓	GRI 404	4 QUALITY EDUCATION
	7 Occupational Health and Safety	✓	✓	GRI 403	3 GOOD HEALTH AND WELL-BEING

Sustainability Categories	Material Topics and Stakeholders' Concerns	Boundaries		Relevant GRI Standards	Highly Related SDGs
		Within the Group	Outside the Group		
	9 Employee Benefits	✓	✓	GRI 401	3 GOOD HEALTH AND WELL-BEING
	11 Social Investment	✓	✓	GRI 413	1 NO POVERTY; 2 ZERO HUNGER

OUR SUSTAINABLE BUSINESS

As a leading cross-border asset management and investment company in China, CEL has over 20 years' experience in cross-border asset management and private equity ("PE") investments, and is a listed company in Hong Kong with alternative asset management as its core business.

Through the primary market funds, secondary market investment portfolios and funds-of-funds under its management, CEL has nurtured many valuable enterprises with high growth potential alongside with its investors. Based on the needs of the Chinese economy, CEL also strives to forge the synergy between Chinese and overseas technological advantages and Chinese market, and to provide Chinese and overseas investors with diverse financial services.

Besides, CEL nurtured China Aircraft Leasing Group Holdings Limited ("CALC"), the largest independent aircraft operating lessor in China; consolidated multiple mid-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"), a leading real estate PE fund enterprise in China. Meanwhile, CEL also invests in 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 as cornerstone investments.

Major Investee[2] and Key Investee Companies[3]

MAJOR INVESTEE AND KEY INVESTEE COMPANIES

EVERBRIGHT JIABAO/EBA INVESTMENTS — REAL ESTATE ASSET MANAGEMENT

- Primarily focusing on fund management and building up competitiveness across a variety of asset types such as business, offices, industries and logistics, urban renewal and securitisation of real estate assets, etc., in order to stand out in the crowd.
- Using industries as the backbone, finance as the tool and real estate as the carrier that combines and synergises all three.

CALC — AIRCRAFT FULL LIFE-CYCLE SERVICES

- CALC's future positioning and strategic development is to become a one-stop aircraft full life-cycle solutions provider through new aircraft leasing and aircraft aftermarket services (including aged aircraft asset management, aircraft maintenance, aircraft disassembly and component asset management) to achieve the strategic development of aviation industry value-chain.

Terminus — AIoT

- "Terminus" uses AIoT (artificial intelligence and Internet of Things) and carbon neutrality as the dual engine pushing forward the smart city upgrade strategy to provide integrated end-to-end services, so as to empower urban sustainable development; to create a beautiful and happy life; and to strive to become a world leading integrated ecological and smart city service provider.

EVERBRIGHT SENIOR HEALTHCARE — PREMIUM ELDERLY CARE

- To develop and expand core cities to establish a more comprehensive network in the region
- To increase the number of beds to achieve larger scale of elderly care capacity
- To strengthen management operation and improve the quality of earnings
- To establish core products and therefore increase the effectiveness of the management operation
- To transition towards smart elderly care with the support of advanced technologies and therefore improve management effectiveness

Notes:

2 Major Investee refers to Everbright Jiabao/EBA Investments.

3 Key investee companies refer to CALC, Everbright Senior Healthcare and Terminus.

CEL'S APPROACH TO ESG MANAGEMENT

We believe that a comprehensive corporate governance and risk management mechanism is not only the foundation of the Group's success but also the key to long-term sustainable development. The Group adheres to our promise of top-notch corporate governance, upholds the highest ethical standards and responsible principles which continuously protect the interests of our stakeholders.

Apart from strictly complying with the applicable laws and regulations in Hong Kong, the requirements and guidelines set by relevant regulatory authorities such as the Securities and Futures Commission of Hong Kong and the Stock Exchange, the Group also reviews its corporate governance practices from time to time in order to meet the international and local best practices, including the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules.

Besides, we are committed to promoting sustainable business growth and development that creates positive value and impact for the environment and the communities we serve. We embed environmental and sustainability concepts into our corporate culture and incorporate environmental, social and governance policies and concepts into our company's management and investment decision-making processes, and we are committed to actively supporting and implementing sustainable development goals in our operations.

Corporate Governance

CEL is led by an effective and high-quality Board. The Board acts honestly and loyally by making objective decisions with the Group's best interests at heart and fulfilling our corporate responsibilities to stakeholders. The Board is composed of a balanced number of Executive, Non-executive and Independent Non-executive Directors with extensive financial management experience or other diversified expertise to ensure that all factors of benefit and risk are considered.

In order to fulfil its responsibilities more effectively, the Board has six committees under its governance structure, namely the Executive Committee, the Audit and Risk Management Committee, the Nomination Committee, the Remuneration Committee, the Strategic Committee and the ESG Committee.

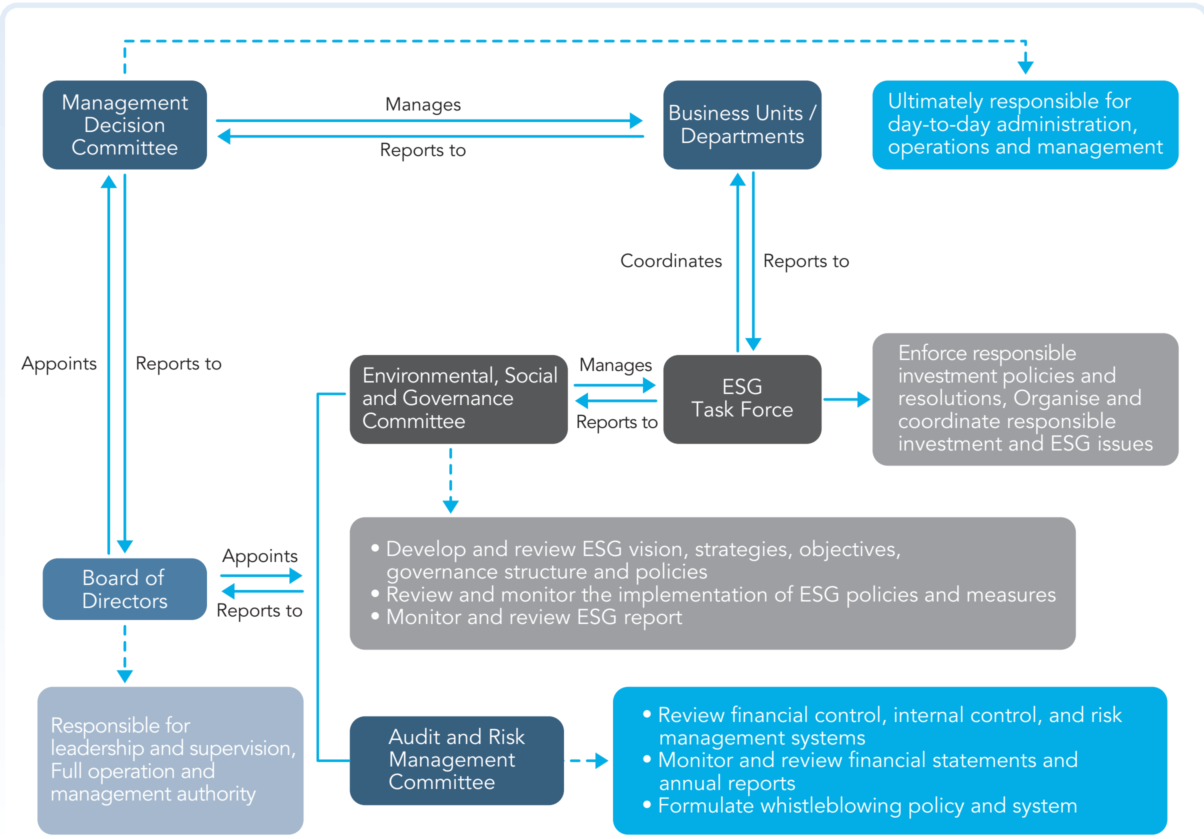
CEL's " Terms of Reference of the Board" specifies the authority and responsibilities of the Board and its six committees, with amendments as appropriate from time to time. For more details on our members of the Board and other corporate governance matters, please refer to the "Corporate Governance Report" in this Annual Report.

ESG Management

As the highest authority of the Group, the Board oversees the Group's ESG matters and is responsible for reviewing and approving the Group's ESG reports. The ESG Committee was established in 2021. Its chairman and members are appointed by the Board and must include at least one Independent Non-executive Director. The ESG Committee aims to integrate ESG principles into the business decision-making process and to keep pace with other international companies on ESG. The ESG Committee is in charge of formulating the Company's ESG and responsible investment policies, strategies and objectives, overseeing the performance and effectiveness of the Company's ESG and responsible investment practices, and reporting regularly to the Board on related matters. With regards to the ESG Committee's composition, responsibilities and summary of its works in 2021, please refer to the "Environmental, Social and Governance Committee" section of the "Corporate Governance Report" in this Annual Report.

The ESG Task Force is responsible for the implementation of the Company's responsible investment policies and resolutions formulated by the ESG Committee; formulating work plans in accordance with the responsible investment objectives; coordinating the responsible investment work of various departments; summarising the progress of the Company's responsible investment work in stages, reporting the work results to the ESG Committee, organising research on the policy and market development of responsible investment, and proposing strategic and policy adjustments and improvements. In addition, the ESG Task Force will organise dedicated staff to be responsible for ESG-related matters, including conducting ESG analysis and implementing active ownership. To facilitate stakeholders' understanding of the Company's ESG-related developments, the Group has updated the design of its website and set up a "Sustainability" column for displaying the Company's ESG-related policies and developments, etc. During the reporting period, in order to better incorporate ESG policies and concepts into investment and management, a total of nine relevant documents, including *Whistleblowing Policy, Employee Diversity Statement, ESG Risk Management Statement, Data Security and Privacy Statement, and Responsible Investment Guidelines*, were formulated or updated in the "Sustainability" column of the Company's website.

Furthermore, investment teams and research staff are responsible for implementing the Company's responsible investment policies and undertaking responsible investment work in relation to their job functions. The Company will guide or assist each fund team to develop a separate ESG policy for each fund, taking into account the characteristics of each fund and the investors' requirements. ESG policies will be incorporated into the fund's investment strategy, operating manual and risk management framework, and guide each fund to establish a corresponding ESG disclosure and reporting system, which will in turn encourage and assist each fund team to adopt responsible investment principles to guide investment practices.



ESG Governance Framework

In addition to the governance structure, several policy guidelines and relevant training are required to complement each other to enhance operational efficiency, ensure operational compliance, and foster a culture of accountability. As such, we have formulated a series of policies and guidelines on topics like corporate ethics, risk control, human capital, sustainable development and responsible investment to enable our staff to implement related measures more effectively. At the same time, some of these policies and guidelines are publicly available on our corporate website to enhance the transparency of the Group's governance.

Corporate Ethics

Upholding excellent ethical standards is a fundamental requirement for a high-quality business. CEL strictly complies with the *Anti-Unfair Competition Law of the People's Republic of China* and the *Prevention of Bribery Ordinance* of Hong Kong, and established the *Anti-money Laundering and Counter-terrorism Financing Policy* as well as the *Prevention of Bribery and Corruption Policy* to forbid our staff from performing any forms of money laundering, bribery or corruption activities when carrying out any businesses on behalf of the Group. The Group conducts various types of ethics and anti-corruption training every year to raise the awareness and moral consciousness of our staff, not only to remind them of the need for strict compliance but also to avoid opportunities for miscreants to take advantage of our staff for illegal activities. CEL also formulated the *Guidelines on Management of Conflicts of Interests*. Apart from clearly setting out the potential situation of conflicts of interests in the business affairs, it also sets out the division of responsibilities in managing conflicts of interests, prevention strategies and accountability policies, in particular with respect to receiving bribe. In 2021, the Group's management and all other employees participated in our ethical standards and anti-corruption training.

While the ethical performance of CEL is important, the protection of whistleblowers is equally important. Our *Whistleblowing Policy* is designed to protect employees or any third-party whistleblower from retaliation by not disclosing their identity without the whistleblower's consent or requirements under the laws to ensure whistleblowers can uphold the Company's ethical standards without concerns of being retaliated. As anonymous whistleblowing can only provide limited information, hence hindering any relevant investigation or follow-up work, we encourage whistleblowers to state their names to enhance investigation efficiency. The *Whistleblowing Policy* not only applies to our employees but also extends to our other stakeholders such as shareholders, investors, customers and suppliers, etc., and is made publicly available in several local languages of places where we operates on our corporate website. During the reporting period, the Group did not receive any whistleblowing complaints pursuant to the *Whistleblowing Policy*.

During the reporting period, there were no confirmed cases related to money laundering, bribery or corruption that would significantly impact the Group.

Risk Management

Risk management is an integral part of the Group's business operation. Through our current *Risk Management Policy* and the newly established *ESG Risk Management Statement*, we could therefore cover various types of risks more comprehensively. We are devoted to maximising shareholders' value while ensuring the risk is at an acceptable level. The Group's risk management work is mainly led by the Vice President of the Group in charge of Risk Management, Legal and Compliance, monitored and audited by the Audit and Risk Management Committee; and the ESG Committee would be responsible for ESG risks. During the reporting period, we continuously implemented respective risk management system practices and effectively managed the Group's significant risks and ESG risks. In 2021, there were no significant ESG risk events impacting the Group.

For more details on our Group's risk management, please refer to the "Corporate Governance Report" and "Risk Management Report " sections in this Annual Report.

Supply Chain Management

Our Group has extended responsibilities and standards of environmental protection to our suppliers through the *Green Office and Sustainability Procurement Management Guide*, which we prioritise working with socially and environmentally responsible suppliers to reduce the carbon emission during the operation of both parties. For example, our paper suppliers are ISO 14001 certified to prove they have an effective environmental management system. Besides, we prioritise purchasing energy-saving products in order to reduce the negative effects brought by the Group's supply chain.

In 2021, we formulated the *Procurement Management Policy* to enhance procurement management, thereby improving the quality and efficiency of procurement, reducing procurement costs and effectively reducing the environmental and social risks in the supply chain. The policy clarifies the responsibilities of the Procurement Task Force in terms of approval and supervision, and further standardises the procurement workflow.

As of 31 December 2021, the Group had 413 suppliers, 98% of which were located in our main operating regions, including the Mainland and Hong Kong, with the remaining 2% in other regions. A major portion of the suppliers provides services relating to human resources while the rest are providing services to administration, information technology, company secretary, legal and compliance, finance and general office.

Data Security

The outbreak of COVID-19 has increased reliance on technology and the risk of data leakage, thus increasing the cost of maintaining network security for businesses. To strengthen the management of confidential information and confidentiality agreements, the Group has formulated the *Information Technology Security Policy, Management of Confidential Information and Confidentiality Agreements*, and *Data Security and Privacy Protection Statement*, which require strict enforcement by all units of the Group and third parties. In order to collect and utilise sensitive data, prior consent should be given by the relevant persons as necessary and handled in accordance to the legal requirements and highly transparent procedures, such as the signing of a non-disclosure agreement with the related parties. Collected data should also be shared to others only on a need-to-know basis, and only authorised departments or individuals should be allowed to perform any edits or deletion. Relevant policies and information systems will undergo regular internal and third party audit, in aims to enhance data protection. In the unfortunate event of a data breach, the Group shall respond in accordance with the relevant regulations and guidelines by notifying parties involved, identifying the source of the breach and fixing the problems, which in turn provides an extra layer of protection on the privacy of stakeholders, such as suppliers and clients, and the corporate operational data.

The Group has established a Risk Management Committee under the Management Decision Committee, which involves IT risk meetings. The Vice President of the Group in charge of Risk Management, Legal and Compliance is the chairman of the Risk Management Committee and reports directly to the Management Decision Committee on matters relating to data security and information security, and the Board is ultimately responsible for works relating to data security. The Group holds quarterly IT risk meetings and conducts regular reviews of the Company's IT risks, etc.

In terms of data security, the Group has adopted a series of technical measures to enhance data security protection, including separating the production environment from the operation and maintenance environment, and separating the development team from the operation and maintenance team to ensure the security of the production environment and data, and strictly restricting access to the data centre. In addition, for data that needs to be exposed on the Internet, a DMZ is set up. In terms of system deployment, data is placed on the intranet and with the protection of the information security system such as server IP access restriction, double-layer firewall and intrusion detection system to prevent data intrusion. The Group specifies that data storage media containing internal information must be physically destroyed before disposal. We have also established a comprehensive data security incident handling mechanism, including response to data security incidents and follow-up actions to ensure that the impact of incidents is minimised, and losses are mitigated as far as possible. In 2021, we had no incidents of leakage or loss of client information.

Responsible Investment

Being a cross-border investment and assessment management company, CEL understands that each of our investment decisions could affect the investment portfolio and even impact the whole society. In light of this, we consider environmental, social and corporate governance factors in our investment decisions; adopt precautionary principles in our risk management framework; and be actively involved in all investment strategies and practices. We believe that by exercising responsible investment, we could provide investors with a better return and bring a positive impact on society and the world.

The Group has formulated the *Responsible Investment Guidelines* and is committed to incorporating ESG factors and considerations into our investment decisions and practices, thereby reducing risk, enhancing returns and satisfying investors' needs and contributing to the sustainable development of our business and society. The Guidelines apply to all asset categories managed by the Company. We follow them by communicating directly with our investees to promote sustainable performance and active ownership, not only by communicating responsible investment values and standards to our investees but also by supporting and promoting ESG improvements among them. In addition, we have developed products on the theme of responsible investment such as low carbon intelligence and green low carbon funds to implement the concept and policy of responsible investment, integrate ESG-related factors in the investment approach and investment process of these products, and promote the concept of responsible investment-related products to our clients to achieve sustainable investment returns and social benefits for them.

In fact, since 2006, the Group has started investing in environmental protection and renewable energy companies to support the environment and sustainability industry. During 2020, we extended our efforts and established the "Everbright Belt & Road Green Investment Fund" (the "Green Fund") to develop a domestic ESG investment system and construct the first equity investment fund in Mainland China which fully adopted the ESG investment standard.

In order to formulate the process of early screening of projects, the fund investment team referred to the *Performance Standards on Environmental and Social Sustainability* of the International Finance Corporation (IFC), and at the same time considered the fund's investment direction. The team set up the "Negative Exclusion List" and the "Green Positive List" respectively so as to eliminate projects with significant environmental and social risks and focus on green and carbon neutrality-related investments; the ESG performance of the potential projects will also be included as one of the key considerations in the due diligence process and be extended to the investment decision-making process of the fund investment committee. After the initial investment, we will also regularly evaluate the environmental and social performance of the project through normalised management and emergency management to ensure the sustainability of the project. We hope to create stable returns for investors through diversified investment forms while contributing to the construction of a green "Belt and Road", and to provide solutions for carbon neutrality, reflecting our determination to implement responsible investment.

In addition to the Green Fund, the investment teams of the Group's other funds are also actively practising ESG investment and management concepts in the management of the entire investment process. Everbright Overseas Infrastructure Investment Fund acquired Boreal, a public transportation operator in Norway, in April 2018. The company's business has grown significantly through effective post-investment management of the fund team. At the same time, the fund has practised active ownership and adhered to its ESG green investment philosophy, helping the company to develop its electric bus and electric ferry business, striving to gradually transform the company into a world leading green and sustainable transportation company.

For more details on our Group's responsible investments and case studies, please refer to the paragraphs under "Our Environment" in this Report.

Internal Control and Audit

In order to fully control the level of risk and to exercise effective control over internal management, the Company has implemented a "Three-Line Defence" framework. The first line of defence is the business units and related frontline teams, with the heads of each department taking the lead in implementing and maintaining appropriate controls. The middle and back-office departments also have relevant control functions, including risk management, legal and compliance, operations, finance and accounting and company secretary, forming the second line of defence. The Internal Audit Department provides the third line of defence by providing traceability and independent audit of the overall operational controls. The Internal Audit Department reviews and makes recommendations on the effectiveness of the Company's risk management, internal control processes, management systems and policy guidelines on an annual basis, and prepares quarterly internal audit reports based on the audit findings for review by the Audit and Risk Management Committee and follow-up by the management. We update and revise the policy guidelines from time to time based on the results of our audits and monitor their implementation. From time to time, we also conduct external audits of operations and data to further enhance operational performance.

For more details of our internal controls and audits, please refer to the "Corporate Governance Report" section of this Annual Report.

OUR EMPLOYEES

The Group views employees as its most valuable assets. We strive to uphold people-oriented and human-centric principles, creating a diverse, inclusive and healthy working environment, as well as constantly improving our human resources management and providing unparalleled career development opportunities such that our employees can develop to their full potential.

The Group's *Staff Handbook* clearly lays out all important information such as employee management, remuneration and benefits, attendance policy, working hours, leave, anti-discrimination and code of conduct in accordance with the relevant laws and regulations. To attract and retain talents, we provide our full-time employees with comprehensive welfare and benefit packages, including medical insurance, maternity and paternity leave, celebration red packets, and other special allowances and subsidies. We ensure that the compensation system of our employees is fair, competitive, and would also reward employees with discretionary bonuses based on their performance.

The Group has been awarded the status of "Manpower Developer" by the Employee Retraining Board (ERB) for 3 consecutive years, in recognition of the Group's commitment to advocating the corporate culture of "talent training and development". In addition, the Group has been presented with the logo of "Happy Company" by the Chinese Manufacturers' Association of Hong Kong and the Hong Kong Promoting Happiness Index Foundation for 7 consecutive years and simultaneously the "Happy Company 5 years+", as well as the "Sport-Friendly Action" logo of recognition by the Chinese YMCA of Hong Kong for 2 consecutive years, in recognition of the Group's dedication to improving the physical and mental health of our employees.

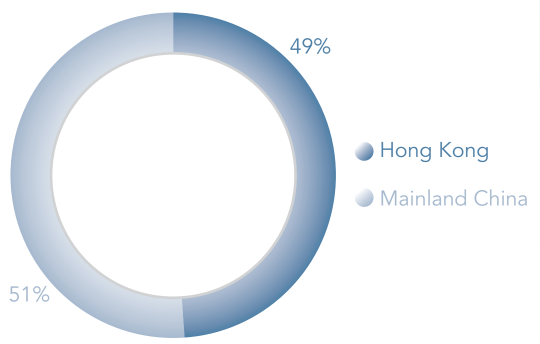
Employee Diversity and Equal Opportunity

The Group is committed to promoting diversity and inclusion and adheres to fair and impartial human resources management practices in areas such as recruitment, promotion and dismissal, training and assessment. We strictly observe the regulations stated in our *Staff Handbook*, *Employee Diversity Statement* and *Employee Rights and Benefits Statement* to guarantee employees' basic rights, protecting them from any form of discrimination, harassment, and defamation due to their gender, nationality, race, physical impairment, marital status, and sexual orientation, thereby providing them with an equal opportunity environment to thrive and realise their full potential. In addition to our commitment in promoting equal pay for equal work irrespective of gender, we have formal grievance procedures and complaint systems in place such that any form of discrimination and misconduct can be addressed. During the reporting period, we did not receive any complaints related to discrimination.

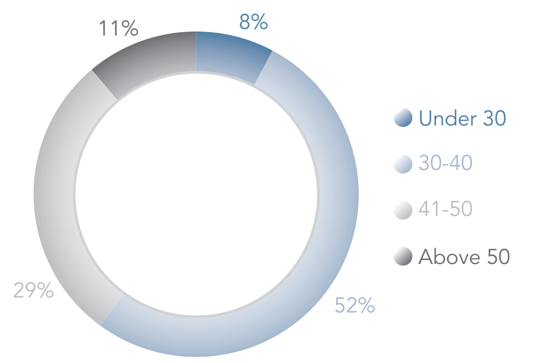
In terms of graduate recruitment, CEL has actively responded to and supported the "New Graduates-New Opportunities Scheme" jointly launched by the Labour Department of the Hong Kong SAR Government and the Hong Kong Chinese Enterprises Association, providing employment and training opportunities for university graduates. In 2021, the Company has established a number of positions such as Accounting Officer of the Finance and Accounting Department, Infrastructure Operations and Maintenance Officer and Application Development Officer of the Operation Centres, aiming at recruiting Hong Kong residents who are lawfully employable in Hong Kong and hold a Bachelor's degree or above conferred by universities in Hong Kong or overseas between 2019 and 2021. Alongside Youth DAB's "First Youth Entrepreneur Future Internship Programme 2021", we have recruited a total of 6 interns and provided them with internship opportunities.

As of 31 December 2021, the headquarters and wholly-owned subsidiaries of CEL had 282 employees in total, all of which were employed on a full-time and permanent basis. The ratio of male to female staff was 1.2 : 1.

BY REGION



BY AGE GROUP



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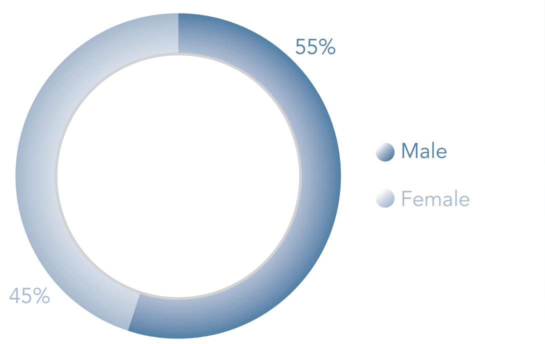
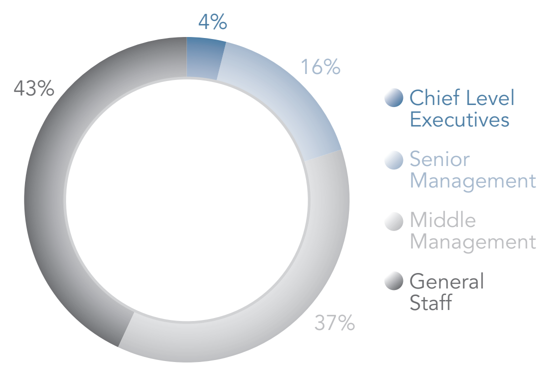


BY EMPLOYEE CATEGORY



Employee Training and Development

In accordance with our *Employee Training and Development Policy* and *Employee Development and Training Statement*, the Group continues to allocate resources to promote the long-term professional and personal development of our employees. We provide a series of internal and external training, encompassing targeted business training, management skills and outward training, business ethics, anti-corruption, anti-money laundering, taxation, laws and regulations, ESG, data security, soft skills, cross-department collaboration as well as physical and mental health. In addition, we regularly review and update our training content in a timely manner to ensure that the courses provided are suited to employees' learning needs and are able to enhance employees' understanding of emerging issues and the business landscape.

Special Training Series for ESG

In September 2021, CEL's ESG Task Force and our Human Resources Department invited professional institutions and top experts in the industry to carry out a series of ESG special training in the Company, with the aim of enhancing the Company's understanding of ESG concepts, mastery of investment methods, thereby promoting the implementation of ESG investment practices. Over 120 employees from 5 office locations, together with CEL's Management Decision Committee participated in the training via on-site and online modes.

Carbon Neutrality Workshops and Training

In May 2021, the members of the CEL's Management Decision Committee studied and adhered to Everbright Group's series of documents regarding "Implementing Carbon Neutrality Target Requirements and Promoting Green and Sustainable Development" and looked into and discussed the Company's strategic development directions in associated fields.

In June 2021, CEL's Green Fund team and Human Resources Department jointly organised a training on carbon neutral investment ideas, sharing with our employees the overview of carbon neutrality research and associated investment opportunities. More than 120 employees from 5 offices participated in the online training session. Our business team also presented a case study on carbon peaking and carbon neutral investment logic during the event.

Anti-Discrimination Ordinance Training

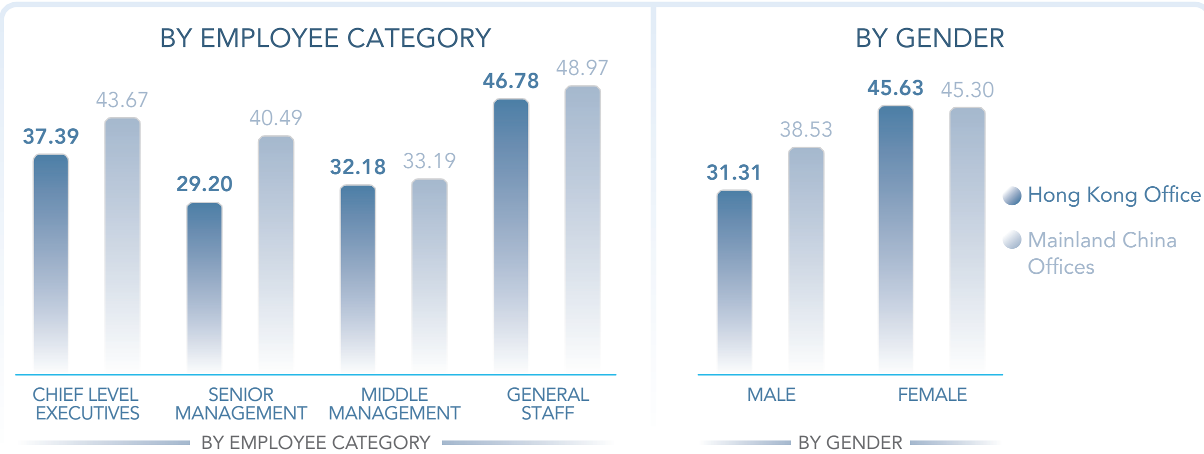
In October 2021, we invited representatives from the Hong Kong Equal Opportunities Commission to conduct an on-site training on the topic of Anti-Discrimination Ordinances. Following introduction of the current Anti-Discrimination Ordinances in Hong Kong, the speaker presented factors such as gender, physical impairment, family status and racial discrimination which may constitute discriminatory behaviour, then explored means to prevent discrimination in the workplace. More than 30 employees from our 5 office locations participated in the training through on-site and online means.

New Energy Vehicle Investment Training

In September 2021, CEL's New Economy Fund Department and Human Resources Department invited top experts in the industry to carry out new energy vehicle investment training within the Company, sharing their experience and thoughts on the investment opportunities in the field of new four automobile modernisations, as well as the evolving competitive landscape brought about by automobile intellectualisation. This training aims at enhancing our employees' understanding of investment opportunities related to vehicle electrification, intellectualisation and networking within the industry, and was attended by around 50 employees from our 5 office locations through both on-site and online platforms.

We have introduced annual training hour targets of 30 hours and 20 hours for all new and existing employees respectively, and have incorporated the target completion level into our performance appraisal system to encourage active participation in various work-related internal and external training activities. This continuously improves our employees' personal professional skills, and ultimately enhances the core competitiveness of the Group. In 2021, employees of CEL have completed a total of 11,204.7 hours of training, with an employee training ratio of 100%.

Average Training Hours in 2021



Health and Safety Training Hours per Capita in 2021

	By Employee Category				By Gender	
	Chief Level Executives	Senior Management	Middle Management	General Staff	Male	Female
HK Office	1.2	12.0	1.0	1.1	1.2	1.2
Mainland China Offices	1.0	1.0	0.0	1.0	1.0	1.0

ESG Training Hours per Capita in 2021

	By Employee Category				By Gender	
	Chief Level Executives	Senior Management	Middle Management	General Staff	Male	Female
HK Office	1.7	1.7	2.0	1.8	1.7	1.7
Mainland China Offices	1.8	2.0	2.0	2.9	1.8	1.7

Data Security Training Hours per Capita in 2021

	By Employee Category				By Gender	
	Chief Level Executives	Senior Management	Middle Management	General Staff	Male	Female
HK Office	1.3	0.5	1.5	1.5	1.0	1.1
Mainland China Offices	0.5	0.5	–	0.5	0.5	0.5

For newly recruited employees, the Group provides online orientation training which covers the Company's business overview, brand concept, rules and regulations, codes of conduct and other aspects in order to enhance their understanding of the Group's macro-level operations. New hires are also arranged to participate in a mentorship programme when they join the Company, through which senior members of staff will provide them with timely guidance and comprehensive support to help them smoothly integrate into our corporate culture and working environment.

Furthermore, through providing employee education subsidies, the Group encourages employees to participate in self-improvement courses organised by professional organisations which are beneficial to their career development, enhancing their professional knowledge and skillsets. Labour contract workers and labour dispatch workers are also eligible to apply for our education subsidy.

In 2021, the Group has subsidised 6 of our employees to pursue higher education qualifications including Master of Business Administration and Juris Doctor, 791 of our people in their external training courses such as "Capital Operation: Difficulties in Tax Planning and Risk Response", "Investment Portfolio Management Theory and Fund Management Practices" and "New Developments in Dual-Class Share Structure", as well as 59 staff members for their professional qualification membership fees.

In order to retain high-quality talents and maintain our workforce stability, the Group actively builds a talent pool and reserves a batch of qualified international talents, young talents and outstanding young cadres. The "CEL International Talent Pool Building Work Plan" and "CEL Young Talents Training Plan" were formulated, stipulating the Group's requirements regarding the qualifications, training plans and implementation plans. During talent selection and appointment, we focus on high calibre candidates in the talent pool; while in terms of training, priority is given to promising young talents in the talent pool for participation in internal and external professional training to strengthen their practical experience. At the same time, in order to further enhance talent development in certain professional areas, specific talent pools for scientific and technological innovation, risk and legal and financial management professions have also been established, and relevant management measures will be progressively improved.

Occupational Health and Safety

The physical and mental health of our employees are of great importance to the Group, hence through the implementation of a number of compassionate measures to protect employees' health, we are committed to providing a safe working environment to protect employees from occupational hazards. We comply with relevant occupational health and safety regulations and have formulated the *Occupational Safety and Health Policy* for regular identification and monitoring of potential risks in operations, ensuring that employees are aware of safety precautions. Furthermore, we have incorporated various considerations in the design of office lighting fixtures, ventilation and workstations to guarantee occupational health in our working environment.

In addition to enhancing our employees' safety awareness through participating in annual fire drills conducted by the buildings' management office, the Group conducts regular safety inspections to ensure safety of our office environment and that all escape routes are free from obstruction, thereby minimising safety risks. Amidst the outbreak of COVID-19, we provided employees with appropriate personal protective equipment including surgical masks and disinfectants. A daily reporting mechanism was also launched with the aim of providing timely guidance and health tips based on the rapidly evolving pandemic situation to safeguard our employees' health. From 2020 onwards, we have been cooperating with Sun Life Everbright Life Insurance to customise group insurance plans against COVID-19 for the Company's employees to protect their physical wellbeing.

At the same time, the Group advocates work-life balance and regularly organises various recreational activities for employees, such as pastel painting, stretching activities and traditional Chinese medicine seminars, encouraging our employees to develop their hobbies, maintain vitality and enrich their life outside of work. We also incorporate natural light and indoor green plants in our offices as far as practicable to improve the working environment. In 2021, "charging stations" were set up at five of our offices to provide employees with replenishments such as fruits, coffee, milk and desserts, facilitating them to take timely energy breaks and promoting workplace wellbeing. To enhance the cultural ambience and provide a means for relieving workplace stress, Reading Corners have also been established at our five offices with a broad collection of books on politics, economics, finance, history and biography, advocating the concept of lifelong learning. We also actively encourage all of our employees to donate books in support of resource conservation, environmentally friendly and community sharing principles.

Since 2018, the Group has implemented the Employee Assistance Program (EAP), which provides external professional advice and assistance to colleagues on any personal, family or workplace issues and concerns, taking care of the mental health of employees and thereby supporting them in enhancing their commitment and satisfaction at work.

Communication and Connection

The Group maintains close interactions with employees and listens to employees' concerns through conducting active and open dialogues via various means of communication. Internally, our "Partner Express" emails inform employees of Company news and real-time information in a timely manner; externally, the Company's information content is also communicated to institutional investors and the media in the form of presentations and press releases. Furthermore, through the quarterly electronic periodical "Partner", we regularly publish the Company's key business information, branding development and snapshots of employee life, closely connecting with colleagues in Mainland China and Hong Kong. In addition, in order to facilitate employees' collaboration and improve work efficiency, the Group has independently developed and implemented an online collaborative Office Automation Platform with comprehensive functions and a complementing mobile app, allowing employees to access company information as well as conduct administrative work and other tasks from anywhere, irrespective of whether they are in office, on business trips or at home.

In 2021, we have launched the "Consulting Opinions" dedicated mailbox as an extended channel for employees to provide their suggestions, from which we consolidated the "Work List for What I Can Do for Employees" and update it regularly for follow-up. In addition, we held our first face-to-face symposium between senior executives and young employees during the year to provide a wider communication channel for the Company's management to further understand the ideas of our younger staff members.

In order to strengthen the Company's cultural management and enhance the Company's internal cohesion, our Cultural and Social Responsibility Department organised a number of cultural activities including festive theme activities, employee care activities, team incentive activities, and cultural and sports activities to strengthen interactions between management and general staff members. Additionally, it promotes the cultural integration of employees in Mainland China and Hong Kong and enriches the life outside of work for employees. In September 2021, CEL coordinated the 24th anniversary celebration "24 years persevering our initial resolution, journeying on for a brighter future with CEL" between our 5 offices through both in-person and online means, demonstrating the cultural integrity of "China Everbright, a profound influence, pursuing excellence, striving for the top, glorious life, relentless pursuit" in CEL's employees. Our Human Resources Department has also set up the budget for team building and activities at the departmental level for organising internal training sessions and teambuilding activities by each department internally.

OUR VALUE CHAIN

Under the complex and everchanging global economy and international environment, the Group is committed to grasping both new domestic and international landscapes, by actively promoting and developing high-quality transformation. CEL maintains a close relationship with the four major partners, aiming to utilise our own expertise and resources to maximise value creation for our stakeholders from all walks of life and build a long-term, mutually trusting partnership together.

Clients and Collaborating Partners

The Group's "Cross-border Asset Management" platform connects the blooming and promising Mainland and Hong Kong markets. In recent years, we have been actively looking for overseas investment and cooperation opportunities to enhance the confidence of fund investors and business partners, so the Group has established an effective risk management mechanism to safeguard the capital and interests of both parties.

When the fund is established, the Group will invest a certain share of seed capital to prove our confidence and commitment to the long-term development of the fund. During the capital investment stage, the investment team must invest a certain proportion of its own funds as co-investment to ensure that the interests of the fund management team are aligned with the investors. Each fund will set up an independent investment review committee of sorts to ensure that fund runs smoothly, and the external investors are protected. When exiting an investment project, the interest of the fund held by the management team will be aligned with that of the remaining investors, prompting the management team to invest prudently and pragmatically with proper risk management mentality.

In the past, the financial industry had faced the challenges of multiple financial crises, leading to the collapse of some financial giants. This series of blows had stimulated the financial industry to reflect on how to strike a balance between rapid business development and risk management. The Group has relied on excellent corporate and risk management mechanisms to maintain a more stable and more rapid development amidst facing market adversity.

In order to facilitate our communication with investors and business partners, we have held the "Everbright Investment Annual Conference" since 2012, which has received positive feedbacks from investors, business partners and project teams. The eight annual conferences held between 2012 and 2019 took place in Sanya, Shanghai, Xiamen, Chongqing, Qingdao, Hong Kong, Hangzhou and Zhengzhou respectively, with up to 4,000 global partners, investment professionals and executives of investee companies in attendance. In 2021, we held the "2021 Global Smart New Economy Summit and Everbright New Technology Investment Strategy Conference" through a hybrid mode of online and offline methods. More than 600 people including the Group's investors, partners, well-known scholars, news media, and investment professionals attended the meeting, with overwhelming responses.

Through the summit, CEL demonstrated its "cross-border asset management" platform to all the guests, and explained its development status, strategy and vision, so that the participants could have a better understanding of the actual operation behind the funds. Not only did investors and business partners gain a better understanding of our project development and business advantages, but we also effectively expanded our network to collaborate on funds through the summit, spanning different industries and categories of products, revealing the complementing advantages of the funds under the Group. Since 2014, our group had invited a host of media, analysts and investors from Hong Kong and Mainland China to attend the annual conference, to report on the latest business development of CEL for investors and the financial community.

Shareholders and Investors

CEL holds engagement and communication with shareholders and investors in high regard, and continuously strives to enhance the Group's transparency and extent of disclosure. In 2021, we showcased our current business development through multiple channels such as one-on-one virtual conferences, in-person visits, participation in investor forums, and investor and analyst meetings, so as to provide more insight in solving the key concerns of the shareholders, investors and analysts. During the year, two investor and analyst meetings were held, attended by a total of 56 institutions and 150 individuals; more than 20 one-on-one online video/telephone exchanges and more than 10 one-on-one in-person exchanges took place. We also actively participated in investor forums and securities dealer strategy meetings and constantly engaged local and overseas institutions such as asset management companies, fund companies, securities dealers, banks and investment banks.

Through the general meetings, the Group's management can effectively ensure close and direct contact with our shareholders. After the financial results are announced every year, the Group will hold two press conferences and analyst meetings, of which video recordings shall be kept. Afterwards, videos of the press conferences will be uploaded to our official website so that external stakeholders can revisit them at any time. We will also upload all relevant documents under the section of "Investor Relations" on our corporate website to centrally manage various reports and information, which in turn helps our shareholders and investors to learn of our operations more quickly and conveniently.

In addition, we upgraded our corporate website (www.everbright.com) in 2017 with improved design, layout and functions to match the Group's future development and increasingly more international brand image. Apart from browsing the Group's official website through a computer, a simplified form is also available for mobiles for ease of mobile browsing. The login function for funds within the website allows our management team to keep close contact and communication with our clients and investors for exchanging and sharing real-time market information. Our official WeChat public account (WeChat ID: chinaeverbright) also provides another convenient way to share diversified information with different stakeholders and the public.

OUR ENVIRONMENT

CEL has been committed to protecting the environment and natural ecosystems not only through investing in environmentally friendly and sustainable businesses but also through building a green and sustainable office environment, with aims of reducing our impacts on the environment.

"Dual Carbon" Trend

Following China's 2030 peak emission and 2060 carbon neutrality pledges to the world, CEL announced its decision to follow suit with its own 2022 operational carbon neutrality promise at the 24th Beijing Hong Kong Economic Cooperation Symposium. We firmly believe that as a professional cross-border investment firm, making a good investment means seeking certainty within a pool of uncertainties. "Dual Carbon" strategy, green development and green recovery have become a global consensus and the greatest certainty the world can share amidst the uncertainties in the global economy and capital market. In synergy with our parent company, China Everbright Group Ltd. ("Everbright Group"), which has the advantage of possessing multiple financial licenses and experience, such as banking, securities, insurance and trust, we are able to achieve our "Dual Carbon" targets through the combination of resource synergy and sustainable operations, seeking out low-carbon investment opportunities with certainty among the risks of uncertainties brought about by climate change.

Operational level

In line with our "Dual Carbon" strategy, CEL has been internally advocating "green office", "zero-waste office", "green management" and "green living", while actively promoting low-carbon business transition in associates and investees. The Group's *Green Office and Sustainable Procurement Management Guidelines* provide clear guidance on office air quality, energy and water conservation, resource utilisation, waste recycling and disposal, and sustainable procurement, in attempt to reduce environment and social risks associated with office operations and procurement of supplies. To monitor and evaluate the implementation of these guidelines in each department more effectively, the head of each department are responsible for ensuring that their teams are familiar with the details of the guidelines and could implement them accordingly. We will also continuously review the purpose and effectiveness according to the findings of the evaluation for carrying out follow-up actions for continuous improvement.

Apart from enhancing energy efficiency and energy conservation in the office, we are also planning to a step further by purchasing renewable energy certificates (REC) in Hong Kong and supporting tree planting efforts in Mainland China to increase carbon absorption rates. While these measures will partly offset the Group's carbon emissions, carbon trading will be required to offset the remaining emissions to realise operational carbon neutrality.

The Group's main environmental impacts generally come from energy use, paper consumption and waste generation. In view of this, we have adopted various environmental protection measures to minimise the impacts on environment while maintaining effective corporate operations.

During the reporting period, we did not have any confirmed violations related to the environment that caused significant impacts to the Group.

Responding to Climate Change

Climate change has brought new risks and opportunities to our businesses. The most pronounced risks include extreme weather events and the motivation for transitioning to a low-carbon economy. However, the transition to low-carbon economy can also provide new opportunities for investors, including the acceleration of replacing obsolete infrastructures and assets, and yielding greater returns through investing in low-carbon industries. There is a fine line between risks and opportunities associated with climate change, hence we must be prepared to manage such risks to avoid investment loss and yield greater return.

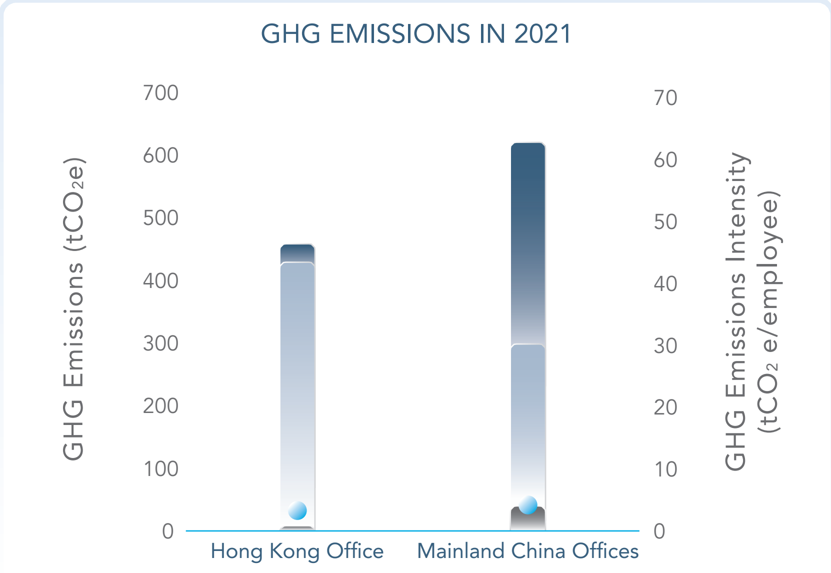
The Group made reference to the recommendations from the Task Force on Climate-Related Financial Disclosures ("TCFD") to identify climate-related risks and financial impacts, and formulate and implement mitigating measures. We have also dedicated to incorporating climate risk consideration into our long-term investment process, so as to build a resilient portfolio that could mitigate the impacts from climate change.

Risk	Description	Potential Financial Impact
Policies and Regulations	Not able to comply with more stringent climate-related policies, regulations and relevant monitoring procedures.	Reduced operating revenue Increased credit risk
Technology	During the transformation to low-carbon technologies, the development and application of low carbon and environmentally friendly technologies such as renewable and alternative energies may not be as successful as planned.	Increased R&D cost Decreased value of fixed assets
Entity	Increased frequency and intensity of extreme weather conditions such as typhoons, rainstorms and flood, bringing detrimental effects to our livelihoods and economy.	Reduced operating revenue Increased operating cost Decreased value of fixed assets

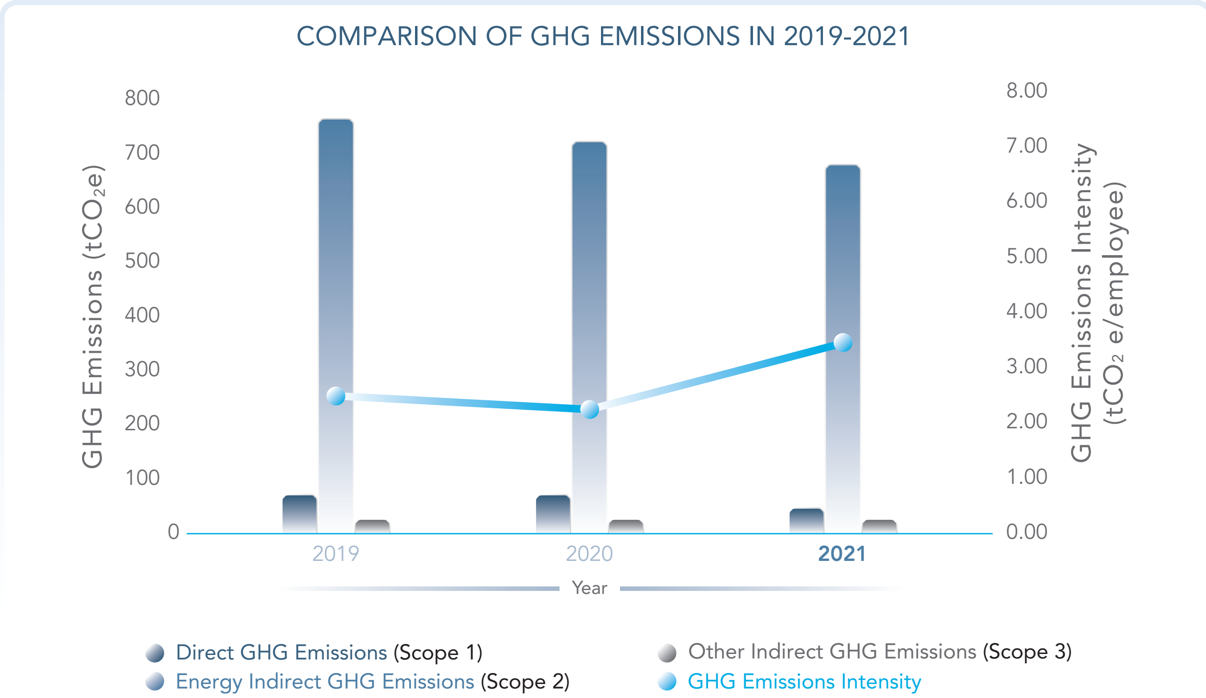
Greenhouse Gas Emissions Management

In order to effectively manage greenhouse gas ("GHG") emissions, the Group collects annual environmental data to calculate GHG emissions from our office operations according to "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong (2010 edition)" compiled by the Electrical and Mechanical Services Department and the Environmental Protection Department of Hong Kong. We also referred to the ICAO Carbon Emissions Calculator to include GHG emissions from our business travel flights. The final emission calculation would be used as an indicator to monitor the Group's future emissions.

As our emissions mainly originated from the Group's electricity use, and paper and water consumption in the offices; vehicle fleet, and employees' air and ground travels. We required our drivers to use unleaded petrol, choose the most efficient driving routes, prevent vehicle idling and conduct regular vehicle maintenance. Employees were encouraged to carpool, streamline business travels and promote video conferencing with hopes of minimising the Group's GHG emissions.



	Unit	Hong Kong Office	Mainland China Offices
Direct GHG Emissions (Scope 1)	tonnes of CO_2 equivalent	6.8	18.4
Energy Indirect GHG Emissions (Scope 2)	tonnes of CO_2 equivalent	422.5	264.4
Other Indirect GHG Emissions (Scope 3)	tonnes of CO_2 equivalent	35.7	321.6
GHG Emissions Intensity	tonnes of CO_2 equivalent/employee	3.3	4.2



Energy and Water Conservation

Energy consumption is one of the main contributing factors to climate change, therefore our energy saving measures are geared towards employees' electricity consumption behaviour. We adhered to the Group's *Green Office and Sustainable Procurement Management Guidelines*, which encouraged employees to utilise energy-saving appliances and LED lights; and stipulated the shutdown of electrical appliances such as air conditioners, computers and printers when they are not in use or when employees leave the office. We also encouraged employees to turn on power saving mode on their computers to help reduce electricity consumption.

In addition, we replaced multiple servers with a high-capacity server and adopted virtual hardware to greatly reduce electricity consumption and amount of hardware installation.

While the environmental impacts from CEL's water consumption were insignificant, water consumption efficiency in offices remained important to us. We had signs posted in meeting rooms, pantries and washrooms to remind employees regarding efficient consumption of bottled water and checking if water taps were tightly closed. If any leakage from taps or pipes was found, we would arrangement repair works right away to avoid water wastage.

Energy and Water Consumption in 2021

	Direct energy consumption	Direct energy consumption intensity
Electricity	1,050,988.0 kWh	3,726.9 kWh/employee
Fuel – Petrol	9,307.5 litres	33.0 litres/employee

	Water consumption	Water consumption intensity
Water[4]	1.4 m^3	0.005 m^3/employee

Waste Management and Material Procurement

The majority of CEL's waste came from the general wastes from our offices, and yet the generated amount was closely tied to our resource utilisation and sustainable procurement practices. We referenced the Group's *Green Office and Sustainable Procurement Management Guidelines* in enforcing waste reduction measures and sustainable procurement. When procuring office appliances, we would prioritise suppliers certified with ISO14001 environmental management system or similar certifications; prioritise procurement of energy-efficient labelled office electrical appliances, LED lights with energy saving functions, Forest Stewardship Council ("FSC") certified paper, and other more environmental friendly and energy and water saving products, in order to minimise our impacts on the environment.

By implementing waste reduction at source, the Group avoided the use of disposable tableware, ordered the right amount of food, and limited the supply of bottled water at meetings and seminars, etc. We also encouraged digitalisation of documents and adopting black and white, double-sided printing in order to reduce paper consumption and waste generation.

We reused materials as much as possible to reduce procurement frequency, for example, reusing paper binding rings, envelopes, single-side-printed papers for printing on the blank side and other stationery. In case of equipment malfunction, repair work or replacement of parts would be conducted to prolong its lifecycle.

We also actively advocated recycling by providing recycling bins next to printers for the convenience of collecting used paper and toner cartridges; and procuring competent contractors to collect and process electrical and electronic waste. Our Beijing office handled all types of waste in accordance with the requirements of Beijing's municipal waste classification and property management, while either property management or dedicated contractors collect non-hazardous waste and recyclables in our other offices. The Group's mercury-containing fluorescent tubes were all collected by property management in all offices, which would then be sent to competent recyclers or other contractors for proper handling of hazardous waste. Furthermore, our Hong Kong office took part in Environmental Protection Department's recycling programme to properly recycle regulated electrical appliances and other waste electronic equipment.

During the reporting period, we collected more than 2,200 kg of paper and plastic bottles, 189 pieces of hazardous waste[5] and 337 toner cartridges.

Notes:

4 Only includes bottled water consumption. Property management has not been able to provide the Group's office water consumption.

5 Includes waste mercury-containing fluorescent tubes.

	Hong Kong Office	Mainland China Offices
Non-Hazardous Waste Disposal	17,360.0 kg	15,604.0 kg
Non-Hazardous Waste Disposal Intensity	124.9 kg/employee	109.1 kg/employee

ASSET LEVEL

CEL established the Green Fund in 2020, becoming the first equity investment fund in Mainland China to fully adopt ESG investment standards. The Green Fund adopted the modular "master fund + sub-funds" structure to help build a new domestic-international dual-cycle development structure through our collaboration with major provinces and cities under the "Belt & Road" initiative by setting up direct investment sub-funds, investing in outstanding market oriented sub-funds, directly investing in quality projects, etc. Our funds team collaborated with world-class consulting firms to design a ESG investment system by referencing international standards such as the UN *Principles for Responsible Investment*, International Capital Market Association's *Green Bond Principles* and the EU's *Sustainable Finance Taxonomy*, as well as domestic ones like the *Green Industry Guiding Catalogue* issued by the National Development and Reform Commission and China Securities Investment Fund Industry Association's *Green Investment Guidelines (Trial)*.

The Green Fund complied with green and responsible investment philosophies, and adopted the "Green Positive List" model to orient investment directions. The "Green List" focuses on four aspects of diversified investment, namely Green Environment, Green Energy, Green Manufacturing and Green Living. Apart from creating stable and profitable returns for investors, it also helps promote national green development, and achieve our targets of emission peaking and carbon neutrality.

Green Environment	Focus on environmental technology innovation and horizontal integration of businesses, and utilise Everbright's environmental protection features to promote circular economy and "Waste-Free City" infrastructures in urbanisation and industrial transformation processes.
Green Energy	Focus on improving multi-scenario applicability of renewable energy and energy efficiency to continue lowering the cost of clean energy, reduce dependence on subsidies and accelerate energy transition.
Green Manufacturing	Focus on "hard technologies" such as smart manufacturing and information technology as well as utilising investment opportunities such as industrial internet of things (IIoT) to enhance manufacturing efficiency and reduce energy consumption.
Green Living	Focus on new green and low carbon consumption behaviour and investment opportunities such as medical and health, as well as promoting greener and more sustainable living, especially in the post-pandemic era.

We believe that the Green Fund's response to achieving carbon neutrality in terms of investment principle and method lies in three main terminals: energy production, energy utilisation and carbon reduction support. For energy production, we would focus on renewable energy sources such as solar photovoltaic and wind energy, supplemented by methods such as energy storage and hydrogen fuel to gradually replace traditional fossil fuel for power generation. As for energy utilisation, we would reference the six ways set out in the "14th Five-Year Plan – Industrial Green Development Plan" published by the Ministry of Industry and Information Technology to electrify our energy source on the basis of decarbonisation by promoting high-end industrial structure, low-carbon energy consumption, recycling, cleaner production processes, green product supply and digitalised production methods. Last but not least, carbon reduction support refers to reducing energy consumption and carbon emission with the use of supplementary equipment and technology. For example, we would integrate the latest technologies such as big data, AI and 5G with green and low-carbon industries.

CEL's investments has been adhering to these three investment principles since as early as a decade ago, from early investment in low-carbon transformation, energy conservation and emission reduction, to the deployment of wind and solar energy then, and to the most current aspects such as energy storage, new energy, smart vehicles and smart scenario technology to help enterprises to reduce carbon more effectively. The Group has since gained a vast amount of investment experience, an extensive network and a first-mover advantage. Our key investments include CECEP Wind Power, Haitai Solar, XPeng Motors and Yuanchen Environmental Protection Science & Technology. Looking to the future, carbon capture, utilisation and storage ("CCUS") will be one the primary technologies to achieve decarbonisation of energy production and industries. Although relevant business models are still under development, CCUS is one of the few promising technologies to realise negative carbon emissions in the long run. Therefore, it is worthy of our investment and patient incubation to aid in our efforts as we journey towards China's "Dual Carbon" targets.

Empowering "Carbon Neutral" Industries

CEL had been supportive of industrial development and a pioneer in empowering its key investee companies in the field of sustainable development to build a zero-carbon economy.

For example, Terminus, an AIoT (Artificial Intelligence of Things) unicorn company incubated by CEL, became the first to apply the AIoT framework in China to promote smart city construction, and develop core businesses such as municipal-level operating systems, carbon neutrality and robots. Its AI Park in Chongqing was the first ecological zone to use AIoT technology to monitor carbon emissions throughout the zone's life cycle. The annual emission of the football field-sized AI Park is around 3.8 tonnes, which is equivalent to the annual emission of a small passenger car.

CALC, an investee of CEL, was the first operating aircraft lessor in China and a leading global aviation finance enterprise. Differing from other financial leasing companies, CALC focuses on operational aircraft leasing business, owns aircraft assets and opens up the value chain at each stage of an aircraft's lifecycle. Instead of the passive business model of fleet management and needs of capacity replenishment, CALC actively participates in aircraft operators' fleet upgrades to enhance the fleet's asset value. CALC has two aircraft recycling bases domestically and abroad; full licences for aircraft maintenance, recycling and remanufacturing and sale of components from respective Chinese, US and EU authorities. Through making use of the coordination of the teams across the world, CALC has been able to maximise the life cycle value of its fleet by increasing the number of leases, transactions and dismantled commercial aircrafts annually. As of 31 December, 2021, CALC had a fleet of 152 aircraft. CALC satifies fuel consumption and carbon emission reduction requirements of the operators through the procurement of the most energy efficient new generation slim-bodied aircrafts, while continuously enhancing its aircraft handling capacity at the same time. As at the end of 2021, CALC's two recycling bases had dismantled more than 380 aged aircraft and 80 engines in aggregate; provided over 370,000 components for reusing in the civil aviation market. This shows that CALC is steadily becoming the world's leading sustainable full value chain aircraft solution provider that promotes the sustainable development of "green aviation".

OUR COMMUNITY

3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
17 PARTNERSHIPS FOR THE GOALS

Giving back to society is viewed by CEL as an important part of fulfilling its corporate social responsibility ("CSR"). We work closely with all types of stakeholders to help promote stable development and inject vitality into the community in different ways, with an aim to help those in need by putting our influence on society to good use. In April 2021, CEL formally established the Cultural and Social Responsibility Department to better fulfill our social responsibility and foster our corporate culture.

Since the establishment of CEL's Volunteer Team in 2012, we have organised a variety of community activities and strived to contribute to the development of a harmonised community. To give back to the society, CEL's Volunteer Team organises a variety of volunteer activities, and has visited nursing homes, centres and schools for children with special needs, sheltered workshops; prepared lunchboxes in collaboration with Food Angel for distribution to the elderly; participated in garden restoration at a historical monument; and organised parent-child volunteering, mural painting in schools, tree planting as well as various other fundraising and in-kind donation events.

The Group's *Corporate Social Responsibility Policy* clearly shows our commitment to being socially responsible. We provided support and targeted resources allocation in diverse fields by focusing on social needs, including poverty alleviation, disaster relief and helping the disadvantaged, to promote social harmony. In 2021, CEL was fully committed to alleviating poverty. We supported Henan by donating RMB500,000 for flood control, completed donation of RMB1 million for designated assistance funds, and purchased around RMB400,000 goods for poverty alleviation through consumption. We additionally donated more than RMB100,000 through CECF.

In 2008, CEL established CECF, a charitable organisation recognised by the Hong Kong government. Over the past years, CECF continuously supported community projects in support of local community development with the four themes of "Bright Companion", "Vitality Everbright", "Education Support" and "Art Promotions".

Bright Companion

Vitality Everbright

Education Support

Art Promotions

Bright Companion

CEL's Chinese and English name of "Everbright" symbolises the company's vividness and optimism; while in real life, CEL also creates a bright future and supports the needy through concrete actions. In recent years, CEL has actively supported and taken part in sight-saving campaigns of "Lifeline Express" and "Orbis", hoping to restore eyesight to the visually impaired around the world.

"Orbis"- International Sight-saving Organisation

Ever since 2018, CEL has become Orbis's "Hong Kong Corporate Partner" for four consecutive years to support its sight-saving campaigns across the globe, and to help restore the eyesight of cataract patients. This year, CECF has again supported Orbis's online tax-deductible donation campaign through Orbis Donation Matching Scheme, so as to encourage citizens to offer help, doubling Orbis's sight-restoring effort and helping more cataract patients.

Vitality Everbright

CEL has an energetic corporate culture thanks to our staff and management's common interests on sports and health events. Through participating and sponsoring various sports activities, we actively advocate the importance of maintaining a healthy lifestyle and developing a self-challenging sportsmanship mentality.

Title Sponsor for Spartan Race Hong Kong

CEL has title sponsored "Spartan Race Hong Kong" for four consecutive years, hoping to bring a brand-new arena experience and the spiritual concept of challenging one's endless to more participants, and motivating them to be a better self in the game of life. In May and November 2021, Kids Race and Adult Spartan Race were respectively organised, in which every participant collaborated with each other, solved the obstacles together and successfully accomplished the challenges.

Sponsoring the Hong Kong Special Administrative Region Delegation in the 14th National Games of the People's Republic of China


感謝狀
Certificate of Appreciation
This Certificate is presented to
中國光大控股有限公司
China Everbright Limited
in recognition of their generous support for the participation of the Hong Kong Special Administrative Region Delegation in the 14th National Games of the People's Republic of China
Mr. Timothy FOK, GBS, JP
Chairman, Organising Committee of the HKSAR Delegation to the 14th National Games of the People's Republic of China
20 August 2021

National Games of the People's Republic of China is the largest national comprehensive sports event of the highest level in China that is held every four years. The 14th National Games was held in Shaanxi from 15 September to 27 September 2021, and 171 athletes from the Hong Kong SAR Delegation participated in 18 events, including archery, gymnastics, fencing, badminton, martial arts, table tennis and taekwondo, etc.

To extend the Hong Kong athlete team's achievement in the Tokyo Olympic Games and appreciate their rewarding sportsmanship, CEL sponsored the Hong Kong SAR Delegation in the 14th National Games to give assistance in the competitions and support sport development in Hong Kong.

In recognition of our generous sponsorship, CEL was awarded a certificate of appreciation by HKSAR Delegation's Organising Committee at the Flag Presentation Ceremony hosted by HKSAR Delegation of the 14th National Games on 20 August 2021.

Education Support

The Group highly values education and talent. The Group has long been a great supporter of various community projects relating to care for children and young people as well as education. By further promoting a range of work and development about social education through CECF, we aim to nurture more future talents for the country.

"China Everbright Voice of the Stars Story-Telling Scheme" Promotion

In 2016, CEL launched "China Everbright Voice of the Stars Story-Telling Scheme". Title-sponsored by CEL, the project is run by Endeavour Education Centre Limited. Celebrities from different sectors are invited to deliver famous stories of Chinese history, historical figures and culture through audio-recording and the audiobooks are given to primary and secondary schools in Hong Kong for free, with an aim to deepen local youth's and students' understanding of Chinese history and culture, strengthen their sense of belonging to China, develop the spirit of ethnic pride and cultivate a positive life attitude through in-depth understanding on the country's development by way of fun learning. As of the end of December 2021, "China Everbright Voice of the Starts Story-Telling Scheme" has broadcasted a total of 128 stories and the cumulative browsing and story listening frequency of relevant webpages have already exceeded 280,000 times. This project was awarded the First Prize for Outstanding Practice Cases of Social Responsibility by Everbright Group.

At the same time, "Chinese History for Children", an accompanied project on audiobooks, is well received by primary and secondary students in Hong Kong, effectively influencing the parent and facilitating good social benefits.

Spreading the Scholarly Fragrance into the Community

The book donation ceremony "Spreading the Scholarly Fragrance into the Community" was jointly organised by the Hong Kong Staff Association of Everbright Group, China Development Bank Hong Kong Branch and the Hong Kong Representative Office of China Petroleum & Chemical Corporation on 25 September 2021 at Everbright Centre. This event is targeted at 54 organisations, including associations and schools in western and southern districts of Hong Kong Island and outlying islands. To encourage residents in Hong Kong Island to start their Chinese reading habits, and enhance their understanding on traditional Chinese culture as well as the nations, 5,500 Chinese books with 100 categories were donated, covering Chinese cultural traditions, national identity, history, morality and the rule of law, biographies, classics and general education.

To enrich a scholarly culture and atmosphere in Hong Kong, CEL together with the volunteer team of the Staff Association of Everbright Group actively participated in the event, and 2,000 Chinese books were donated to 20 organisations, including the Central and Western District Branch of the Democratic Alliance for Betterment of Hong Kong, the Central District of Fong Chong Social Service Centre, ZJ Association, The Belcher's-Shek Tong Tsui Association, Central District Kai-Fong Welfare Association, Kennedy Town Kai-Fong Welfare Association, Sai Ying Pun Kai-Fong Welfare Association, Chiu Sheung School, Yip Wing-Shing District Service Centre and HKU Employees Union, etc.

Art Promotions

Throughout the years, CEL has enhanced the overall cultural literacy of our society and the public by supporting and promoting the development of various local art groups in Hong Kong through different channels, creating widespread interest among the general public for the refinement and elegance of arts.

Title Sponsor for Hong Kong Ballet Performance

CEL has been title sponsoring classical productions of Hong Kong Ballet for seven consecutive years, such as "Nutcracker", "Swan Lake", "Serenade and More" in the Mainland," "Don Quixote", "Giselle", "1st Annual International Gala of Stars"and"International Gala of Stars 2019", "Romeo + Juliet", etc. Apart from tremendous social benefits and company reputation generated in the collaboration with Hong Kong Ballet, CEL still puts huge efforts to fulfil corporate social responsibility. Through continuous donations to Hong Kong Ballet's "Accessibility Fund" for six consecutive years, CECF offered free tickets to underserved communities in Hong Kong to enjoy and promote ballet performances. In 2021, CEL once again donated 100 tickets to Hong Kong Ballet's "Accessibility Fund" for the underprivileged families to watch the classical ballet performances.

Poverty Alleviation

In 2021, in accordance with the working requirements of "China Everbright Group's Practical Opinions on Assisting Targeted Countries in Poverty Alleviation and Rural Revitalisation", we continue to strengthen our working mechanism and facilitate the fixed-point assistance related to poverty in the aspects of consumption, education and employment.

Consumption	Education	Employment
In 2021, CEL donated fixed-point assistance funds of RMB1 million, and spent more than RMB400,000 on two centralised purchases of characteristic agricultural products. We also extensively mobilised and encouraged our employees to participate in the "3rd Living Streaming Event of Agricultural Product Exhibition" to purchase poverty alleviation products through Everbright Group's platform "Gou Jingcai".	With the collaboration of our associate, Everbright Senior Healthcare, we provide manpower and technological supports in vocational education at the designated districts with poverty problems, and assist in vocational secondary schools in Xintian County in the form of school-enterprise cooperation. In 2021, Everbright Senior Healthcare, through its subsidiary Everbright Bai Ling Bang Jin Bo Yuan Vocational School, accomplished a 5-phase professional teaching scheme of senior healthcare, and provided various opinions on housekeeping and healthcare services to foster the development of Xintian Vocational School.	In 2021, Everbright Huichen, a subsidiary of Everbright Senior Healthcare, signed a "Cooperation Agreement" with Xintian Vocational School to provide teaching internship opportunities for 19 students of Xintian Vocational School in 2019. Considering the demand of talents, Everbright Senior Healthcare also communicated with healthcare institutions to ensure graduates in Xintian Vocational School with the completion of internship to have suitable employment positions.

In the future, the Group will continue to utilise our own resources to further reinforce our supporting efforts, help the designated districts and other areas to alleviate poverty, and keep promoting rural revitalisation with all parties to overcome difficulties faced.

MAJOR RECOGNITIONS, AWARDS AND MEMBERSHIPS

In recognition of the Group's continuous contributions in caring for the community, employees and environment as well as building an inclusive society over the years, CEL has been awarded "Caring Company" and "Caring Organisation" for eleven consecutive years since 2011. CEL has been awarded the "Happy Company" label for seven consecutive years jointly by the Hong Kong Productivity Council and the Promoting Happiness Index Foundation, in recognition of our commitment in creating a pleasant working environment and promoting positive attitudes towards life for our employees. Furthermore, we have also been awarded the "Sport-Friendly Action" Decal by the Chinese YMCA of Hong Kong for two consecutive years, commending our efforts in caring for the physical and mental health of our employees and promoting life-work balance.

At the 2021 Global PE Forum of the China International Fair for Trade and Services, CEL won 4 awards including "2020-2021 Top 10 Demonstrations of ESG Responsible Investment in China's Equity Investment Industry" and "2020-2021 China Equity Investment Industry Outstanding Social Responsibility Award", etc. To honour the excellent ESG practice and corporate governance performance, CEL was also awarded the "2021 China ESG Award for Best Corporate Governance (G) Case" at the CLS·ESG Summit Forum and Awards Ceremony. To add on, the governance case was selected as one of the 14 outstanding cases in the "2021 China Enterprises' ESG Cases White Book Paper".

The awards and recognitions received by the Group in 2021 are as follows:

Recognitions and Awards	Issuing Authority
Caring Company Caring Organisation	The Hong Kong Council of Social Service
Happy Company 5 years+	Hong Kong Productivity Council & Promoting Happiness Index Foundation
Sport-Friendly Action	Chinese YMCA of Hong Kong
China's Top 20 Investment Institutions in ESG	36Kr
China Top 30 Private Equity Investment Institutions Top 20 Best Foreign Private Equity Investment Institutions in China Top 30 Best Private Equity Investment Institution in Guangdong-Hong Kong-Macao Greater Bay Area	ChinaVenture Info
2020-2021 Top 20 Chinese Private Equity Investment Institutions 2020-2021 Top 10 China Market-Based Funds of Funds 2020-2021 China Equity Investment Industry Outstanding Social Responsibility Award 2020-2021 Top 10 Demonstrations of ESG Responsible Investment in China's Equity Investment Industry	Global PE Forum
2021 Top 10 Best ESG Investment Institutions 2021 Top 20 Best Returns State-owned Direct Investment Institutions	FOF Reserch Centre
2021 China ESG Award for Best Corporate Governance (G) Case	Cailian Press
2021 China Top 50 PE Investment Institutions 2021 Top 50 State-owned Private Equity Investment Institutions of China	Zero2IPO Group
2021 China Influential PE Investment Institutions Top 50	China Venture Capital Annual List • Golden Investment Prize List
2021 Global Private Equity Investment Institutions ranking 75	PEI 300

The Group continues to participate in professional and trade organisations to keep abreast of the main issues, industry trends, the latest laws and regulations and best practices in our operations. The following table lists the membership owned by the Group and its participation in the industry and professional associations.

Institution	Class of Membership
The Chamber of Hong Kong Listed Companies (CHKLC)	Corporate Member
China Venture Capital and Private Equity Association (CVCA)	Corporate Member
China Merges and Acquisition Association	Vice President
Chinese Financial Association of Hong Kong	Vice Chairman
Hong Kong Chinese Listed Companies Association	Corporate Member
Insurance Asset Management Association of China	Special Cooperation Organisation

MAJOR INVESTEE AND KEY INVESTEE COMPANIES[6]

Everbright Jiabao/EBA Investments – Real Estate Asset Management

With core businesses centred around asset management, investment and development of real estate, Everbright Jiabao, an associate of the Group, envisions to become a pioneer in China's cross-border real estate asset management; EBA Investments is the largest industrial investment fund manager and real estate investment platform operating held by CEL and Everbright Jiabao, specialising in real estate investment and asset management since its establishment. In its 14 years of development, EBA Investments has built multiple mature product lines including equity investment, structured investment and finance, cross-border asset management and real estate securitisation, while simultaneously setting up a comprehensive asset management system.

Our Employees

Everbright Jiabao advocates a people-oriented concept, believing that human resources are the company's most important assets. Everbright Jiabao is dedicated to providing employees with a diverse and friendly working environment, focusing on cultivating a professional working team to increase the company's competitiveness. Our *Employee Handbook* lists relevant important information in accordance with applicable laws and regulations, ensuring that equal opportunity principles are incorporated into human resources management and remuneration policies. We provide employees with various training and professional development plans, encouraging them to instil in themselves the ideas of self-directed learning and lifelong learning. Our group regularly organises recreational activities, including badminton, basketball as well as arts and crafts workshops, creating a good work-life balance for our employees.

During the COVID-19 pandemic, we strive to uphold stringent regional prevention and control requirements, as we believe the community and people's lives are of utmost importance. Various pandemic prevention and control measures are being enforced and observed strictly in order to build an extensive line of defence, safeguarding our employees' safety and health.

Our Value Chain

Everbright Jiabao actively practises business integrity and strictly abides by our contracts, following the principles of honesty, mutual benefit and legal compliance, which helps to build good relations with our investors, suppliers, construction units, customers and creditors.

For investors, we use channels such as online interaction platforms and receptions to enhance their insights and understanding of the company's development strategy, thereby safeguarding their interests. In terms of construction work, we greatly value the interests of migrant workers and hence have identified the ability to provide timely wages compensation as an important criterion when selecting construction enterprises to partner with in order to protect the rights of our workers.

Note:

6 This section details the summary on sustainable development of the Group's major investee and key investee companies, which are not accounted for as subsidiaries in the consolidated financial statements of the Company. These contents are voluntary and additional disclosures beyond current compliance requirements.

Our Environment

We have always been dedicated to upholding a green development philosophy and are committed to adopting green construction standards. We ensure the incorporation of sustainable development factors such as energy consumption, air quality, water resources and material usage in project development and operations in order to minimise the environmental impacts induced by our business operations.

EBA Investments is a keystone member of the International WELL Building Institute™ (IWBI™) and is committed to create a healthy working environment in accordance with the WELL Building Standard. Multiple of our projects including New Everbright Centre, EBA Centre and EBA Hongqiao Centre have all received various certifications from IWBI™, the U.S. Green Building Council (LEED) and the National Green Building Standards, affirming our green, low-carbon and environmentally friendly philosophy.

In 2021, EBA Investments officially released our self-owned office building asset management brand WELLBEING. This service system will cover EBA Investments' multiple office building projects located in Shanghai and Beijing, and is envisioned to bring a green, healthy and high quality workplace experience for stationed enterprises. Encompassing a wide range of dimensions such as green ecology, smart technology, healthy interactions, resource platforms and customised services, EBA Investments has built an operation service platform which focuses on the harmonious co-existence of people's wellbeing, architecture and cities, establishing the future business ecosphere and redefining the story of the office complexes market.

Dedicated to implementing sustainable development concepts together with our suppliers, we aim to select companies with a strong sense of social responsibility in our business operations, while also focusing on using novel products with environmentally friendly, low-carbon and recyclable features.

Our Community

Everbright Jiabao's mission is to "repay shareholders, treat employees well and give back to the society", fulfilling its social responsibility by utilising its in-house relevant platforms and resource superiority. Apart from actively participating in the construction of commercial housing for relocation in order to provide high quality housing for relocated households, we have also launched various forms of charitable activities. Everbright Jiabao established Shanghai Jiabao Charity Foundation in 2012, which raises funds to reward people who embrace justice, nurture hygiene talents, aid elderly care and promote cultural development in the community, enhancing harmonious development of the society.

EBA Investments has also introduced long-term commitments to the charity and art industries. Co-hosted by the Beijing Tongzhou District Publicity Department and EBA Investments' New Everbright Centre, the "Meet the Grand Canal—— World Canal Exchange Art Project" had its grand opening at New Everbright Centre's An Art Museum on 16 October 2021. This event gathered dozens of artists from China and around the world, displaying 50 pieces of arts. With canals as the theme and arts as the interwoven link, it presented the Chinese culture to the world in the form of art exchange, highlighting the Chinese civilisation and our cultural confidence.

Terminus – Artificial Intelligence Internet of Things

Terminus is an artificial intelligence IoT platform company which CEL has been cultivating and developing since 2015. It has grown into one of the most competitive companies in the novel technologies sector under the "Three-universal and One-innovative" strategic layout of Everbright Group. Terminus took the lead in applying the AIoT (Artificial Intelligence Internet of Things) technology framework in China, building on its hard core technology to promote applications in the intelligent spatial scenario construction of cities, and has now become a total enabler in the provision of all-inclusive end-to-end AIoT services.

Our Employees

Terminus adheres to the people-oriented concept and continuously refines its human resources management policies, fuelling the growth of the employees. We are keen on organising different sport clubs and teambuilding activities based employees' interests to help them realise work-life balance and creating good working atmosphere. Our *Employee Handbook* lays our comprehensive details regarding equal opportunities, remuneration and benefits, promotion opportunities, workplace discipline and communication norms, serving as a reference and mutually established basis which regulates the daily conduct of employees, thereby ensuring employees at all levels enjoy equal treatment and demonstrating the value of diversity. The company has also established the Terminus University, in line with the company's strategy, in order to raise organisational capabilities. This aims to strengthen teamwork and communication, better equip our Terminus people and cultivate a base for mature technology, products, marketing and management talents.

Our Value Chain

Terminus strives to become the world's leading all-inclusive services provider in smart city ecosystems. Adhering to the customer-centric service concept and centred around the ideas of new infrastructure as well as dual carbon strategic goals, Terminus is dedicated to employ our AIoT technology to enable dual carbon applications, facilitating the accumulation of core capabilities in the dual carbon realm and achieve ecosystem co-construction, and ultimately promoting the successful establishment of green smart cities. In the process of serving the industry, Terminus regulates the company's business activities and behaviour with honesty, trustworthiness, legal compliance and mutual benefit as our codes of conduct. We maintain close communications with our investors, suppliers, customers and partners through various channels and uphold a premium business reputation. Under the development trend of the smart IoT industry, we will jointly develop sustainable business growth opportunities with controllable risks through close cooperative relationships and effectively protect the interests of our investors.

Our Environment

Since 2015, Terminus has been accumulating smart energy technologies. In 2021, we have actively responded to the national carbon neutrality goal and empowered carbon neutral smart cities with AIoT technology. Today, we have established a full range of carbon neutral products and ecosystems ranging from technology, industry-learning-research and applications.

Within 6 years, Terminus' business has expanded from empowering a door to constructing a city, providing low-carbon green intelligence services for various cityscapes throughout their life cycles, driving the development of urban morphology into the next stage with technology and supporting the realisation of the dual carbon targets through practical means.

At present, Terminus' future city AICITY pilot station "AI PARK" is an ecological park that utilises AIoT technology to monitor on-site carbon emissions throughout its life cycle. Its daily operation has already achieved "net zero emissions". Through our automatic self-evolved OTA (Over-the-Air) technology and the intelligent multi-scenario services provided by Terminus' Titan robots, we have created a "green intelligent building of life" with temperature, perception and thinking capabilities, setting an industry benchmark for low-carbon green cities.

Our Community

In 2020, Terminus launched "Operation Huolei", which is a continuous charitable event aimed at smart education empowerment and providing technical support in pandemic response, and has contributed 109 times thus far at the frontline. During the COVID-19 pandemic, Terminus has procured tens of millions of anti-pandemic supplies worldwide, provided in-house technological products targeted against the pandemic with a total value of over tens of millions RMB, and initiated emergency relief and assistance programmes for 58 organisations across 9 domestic frontline zones such as Wuhan, Beijing and Chongqing, as well as 2 international frontline zones in the United Arab Emirates (UAE) and Qatar. As a representative advanced technological corporate in China, Terminus is actively supporting the battle against the pandemic with our technology, orchestrating a new chapter on China's technological capabilities.

At the same time, Terminus' Operation Huolei has introduced novel technology as an enabling means for smart education. Through our "Smart Classrooms", we are dedicated to creating better education and study environment in schools, tapping into more growth opportunities, dreams and aspirations. Our Terminus Operation Huolei Charity Team has visited a number of schools in Hebei, Sichuan, Chongqing and other places, providing students with education materials such as learning equipment and technology products. We also shared knowledge regarding latest developments in the field of artificial intelligence and other science areas, bringing the smart technology experience into classrooms in villages and towns, supporting rural education through concrete actions.

CALC – Full Value-Chain Aircraft Service

Invested by CEL, CALC is China's first operational aircraft lessor and a world leading aviation finance corporation. CALC aims to provide clients with bespoke full value chain aircraft solutions including general operations such as aircraft leasing, purchase and leaseback, and structured financing; as well as value added services such as fleet plan consulting, fleet upgrade, aged aircraft asset management, aircraft maintenance and disassembly,and component sales.

According to ICF International, a well-known aviation consulting firm, CALC ranks among the top ten aircraft lessors in the world by virtue of its total fleet and orderbook assets. Relying on its experienced and international team and global financing capabilities, CALC's operations span across 17 countries and regions including Asia Pacific, Europe and the Americas.

Listed on the Stock Exchange in July 2014 (stock code: 1848.HK), CALC is the first listed aircraft lessor in Asia. At present, CALC is a constituent stock of the MSCI China Small Cap Index.

Our Employees

Employees are the core of our operations, their support forms a solid foundation for the sustainable development of our group and business. To establish a motivated workforce, we focus on the training and professional development while offering competitive salaries and welfares, occupational health and safety as well as work-life balance. Our *Staff Handbook* indicates all important information and requirements for our employees' reference.

We have established a comprehensive *Training and Development Policy*, which indicates the training categories and provides relevant training application and reimbursement procedures as well as the framework for training assessment. Our department supervisors and management team will evaluate the capability and performance of the employees within the assessment period. The results of the assessment will be used for sharpening the necessary skills, and acquiring knowledge and experience in order to support our business demand. Moreover, we regularly organise various different outdoor activities and charitable events, allowing employees to enjoy life apart from work. We also offer travel reimbursement every year for qualified employees. Employees who are on business trips are covered by travel insurance. All employees are insured against any industrial accident arising out of and in the course of their employment.

Our Value Chain

Stakeholder engagement is an indispensable part of CALC's sustainable development strategy. We maintain constant interaction and close communication with stakeholders through various communication channels, to gain further insights into how its business affects different stakeholders. Maintaining trusted relationships with our stakeholders enables us to define and continuously adjust our current and future sustainability strategies.

As a responsible company, CALC strives not only to comply with all the laws and regulations under we operate, but also to build a better and greener future with our suppliers. The company has established a fair and transparent *Suppliers Selection and Management Procedure* for selecting and managing all suppliers to minimise risks related to sustainable development. We will also regularly evaluate the performance of our suppliers and contractors to ensure compliant and continuous improvements.

Our Environment

Since 2018, the company has implemented *Green Office Programme* to promote efficient use of office resources and raise environmental awareness. Our *Green Office Guide* is supported by our management, offering principles and practical tips for saving energy, water, and office appliances to encourage green operation and advocate eco-friendly living among employees.

To keep track of and manage our impacts on climate change, we regularly monitor and review our GHG emissions. In addition, we also continue our procurement strategy of energy-efficient aircraft and phasing out older models to improve aircraft fuel efficiency and reduce carbon emission. We also develop climate risk research assessments to understand how climate change will induce the main risks of our operations. Moreover, we conduct initial climate risk reviews to outline the physical and transitional risks and consequences, helping us to better develop our business in a sustainable way.

While improving our aircraft, fuel efficiency and relevant external prices are of primary concern to us. In the long term, the New Engine Options (NEOs) will reduce fuel consumption, carbon emissions and operating costs considerably. Starting from 2018, the time we initiated our delivery of the first A321neo aircraft, the group continued to execute the procurement strategy of purchasing energy-efficient aircrafts and phasing out aged aircraft.

Our Community

CALC is committed to corporate social responsibility as a long-term goal through our *ESG Policy*. We strive to support the local communities and encourage our employees to participate and volunteer at charitable activities so as to contribute to our society.

In 2021, CALC continued to support Everbright Group's poverty alleviation projects. In the first quarter, we utilised direct procurement and helped to sell approximately HK$20,000 of featured agricultural products from impoverished counties in Hubei Province; donated US$2,000 to Mother's Choice, a charitable origanisation in Hong Kong and member of, to provide assistance to disadvantaged women and children; and donated RMB250,000 to Tianzhu Tibetan Autonomous County Chengguan Primary School to support the construction of "maker" classrooms in Wuwei City, Gansu Province.

On 5 May, 2021, CALC participated in the "Sunshine Consumer Protection, Shenzhen Take-off" campaign held by Everbright Bank's Shenzhen Branch. All participating staff completed the five-kilometre charity run, advocating a new financial consumption concept – "Health Above All". Besides, CALC employees also took part in Sai Kung Hoi Ha Wan Ecotour sponsored by the World Wide Fund For Nature ("WWF"), and also participated in World Green Organisation's carton beverage recycling and organic farming programmes to raise awareness on the importance of how a sustainable lifestyle is important to environmental conservation and the development of low-carbon economy.

Everbright Senior Healthcare – Senior Healthcare

Everbright Senior Healthcare is an enterprise under Everbright Group that focuses on universal healthcare development. It is also an associate of the Group. Everbright Senior Healthcare has accurately capitalised on market opportunities since its establishment with a growing momentum. It has become a renowned senior healthcare group and realised its presence in over 50 key core cities in China.

Everbright Senior Healthcare set up a three-level elderly service model supported by institutional and community-based elderly services and supplemented by in-home elderly services. Everbright Senior Healthcare created a "Senior Healthcare +" model to boost development by "Insurance + Senior Healthcare", transformation by "Medical + Senior Healthcare" and branding by "Service + Senior Healthcare", and a standard operation system featuring unified service standards, middle- and back-office operations and central procurement. By building a smart elderly care platform, it follows the principle of light-asset and high-quality development.

Everbright Senior Healthcare continuously implement diversified industry deployment to set up a full chain of diversified elderly care eco-system. It establishes one-stop bespoke service solutions for senior healthcare based on the demands of senior citizens. We also strive to leverage our business advantage, combined with our business characteristics, to cover all types of healthcare needs of the senior citizens.

Our Employees

Everbright Senior Healthcare is committed to building a team of talents who are passionate about the healthcare industry and equipped with professional knowledge and capabilities. For this purpose, based on our strategy and business, we build our talent pool surrounding three specific talent streams: operation management, marketing and nursing. Through construction and continuous improvement of training systems of operational management talents, executive talents and the three specific talent streams, along with the training programme and exchange activities for key talents based on different levels of position, we are empowering our employees to learn on the job in business operations and strategical development by gaining management and professional experience and grow as a team, gradually forming a learning organization.

In 2021, Everbright Senior Healthcare has successfully attained ISO45001 Occupational Health and Safety Management System certification, which provides more secure protection of our staff's physical and mental health.

Our Value Chain

Leveraging Everbright Group's universal healthcare collaborative platform, Everbright Senior Healthcare cooperates with multiple parties to deploy a universal healthcare industrial chain and launches multiple kinds of medical and senior healthcare products. Everbright Senior Healthcare is driven by operation and capital to promote the mutual integration of the senior healthcare industry and financial capital. With the model characterised by the integration of "medical care + senior healthcare, insurance + senior healthcare, and services + senior healthcare" embedded with our business advantage, we cover the various daily needs of the senior citizens while upholding our corporate mission of "Improving the Life Quality for Senior Citizens and their Families and Promoting the Chinese Filial Piety Culture".

In 2021, Everbright Senior Healthcare successfully obtained the certifications of ISO9001 Quality Management System, ISO14001 Environmental Management System, ISO45001 Occupational Health and Safety Management System, Pension Service level 5A and Standardisation level 4A, all of which are of great significance to us in further improving the quality of our services, upgrading our management standards and enhancing our market competitiveness.

Our Environment

Everbright Senior Healthcare's *Environmental Management Policy* has provided clear guidance on the management of carbon emissions, energy, water and waste. We are required to comply with all related laws and regulations to reduce the impact of our operations on the environment. Our *Conservation Management Policy* strengthens the monitoring and analysis of water, electricity and natural gas consumption by designating a person in charge of each facility to handle abnormal situations in time, thereby reducing waste of resources.

To reduce our carbon footprint, we have incorporated green building elements and implemented various environmental measures in our projects. We strictly prohibit the use of materials containing polycyclic aromatic hydrocarbons (PAHs) in new projects and prioritise environmentally friendly furniture and accessories; ensure abundant greenery and increase vegetation coverage in public areas, elderly's rooms and outdoors. Besides, we introduce natural light homes' construction design and adopt energy-saving LED lights whenever possible, to reduce power consumption due to lighting; and use steam-heating equipment running on natural gas instead of highly polluting combustion-based heating to further enhance energy and environmental conservation. We also reduced our water consumption and sewage discharge by installing water-saving devices, sewage treatment and recycling systems.

To improve the awareness of environmental protection of the elderly, their family members and our employees, we put up energy-saving and water-saving tips around the nursing homes and conduct regular advocation activities to raise their environmental awareness. We also actively participate in the environmental operation management training offered by the government to ensure that our staff fully understand the latest environmental management information, thus increasing our environmental performance in our operations.

Our Community

"Demonstrate the responsibility of a state-own enterprise through social responsibility" is the corporate purpose of Everbright Senior Healthcare. With the needs of the elderly as the guiding principle, we are pledged to provide one-stop elderly services in every city, community and household. Employees of nursing homes under Everbright Senior Healthcare will prepare various social and recreational activities for the elderly every month, enabling them to enjoy quality life and adding a splash of colours to enrich their daily lives.

During the pandemic, we actively responded to the call of the government and paid high attention to pandemic control measures. We enhanced the protection of the elderly against the pandemic via vaccination, emergency drills, emotional support and daily management, etc.

PERFORMANCE DATA

Economic Performance	2021 Amount (HK$'000)
Direct Economic Value Generated	
Income from contracts with customers	659,392
Income from investments	4,314,022
Income from other sources	(276,533)
Share of profits less losses of associates	1,229,097
Share of profits less losses of joint ventures	59,237
Economic Value Distributed	
Finance costs	937,446
Other cost[7]	1,438,086
Dividends	977,447
Taxes[8]	111,008
Profit attributable to non-controlling interests	110,942
Charitable donations	1,910
Economic Value Retained	
Retained for CEL's sustainable operation and development	2,408,376

Environmental Performance	2021
Greenhouse (GHG) Emissions	
Scope 1 (tonnes CO_2 equivalent)	25.2
Scope 2 (tonnes CO_2 equivalent)	686.9
Scope 3 (tonnes CO_2 equivalent)	357.3
GHG emissions intensity (tonnes CO_2 equivalent/employee)	3.8
Energy and Water Consumption	
Direct electricity consumption (kWh)	1,050,988.0
Direct electricity consumption (kWh/employee)	3,726.9
Water consumption[9] (m^3)	1.4
Water intensity (m^3/employee)	0.005
Direct fuel consumption – Petrol (L)	9,307.5
Direct fuel intensity (L/employee)	33.0

Notes:

7 Represents other costs but excludes depreciation and amortisation for the year.

8 Represents current income tax but excludes deferred tax for the year.

9 Since tap water in the offices is supplied by the building and there is no independent water meter, the water consumption only includes the consumption of bottled drinking water.

Environmental Performance	2021
Materials Consumption and Recycling	
Paper consumption[10] (kg)	6,740.0
Paper recycled (kg)	2,218.0
Cartridges consumption (pcs)	337
Cartridges recycled (pcs)	337
Waste Disposal	
Non-hazardous waste (kg)	32,964.0
Non-hazardous waste disposal intensity (kg/employee)	116.9
Hazardous waste[11] (pcs)	526
Hazardous waste disposal intensity (pcs/employee)	1.9

Social Performance	2021
Employees (By Employment Type)	
Full-time	282
Part-time	0
Employees (By Gender)	
Male	154
Female	128
Employees (By Age Group)	
Under 30	23
30-40	147
41-50	80
Above 50	32
Employees (By Employment Category)	
Chief level executives	11
Senior management	44
Middle management	105
General Staff	122
Employees (By Geographical Region)	
Hong Kong	139
Mainland China	143
Turnover Rate	
Overall turnover rate	22.7%

Notes:

10 Excluding printing by outsourced financial printing companies engaged by the Group.

11 Including waste mercury-containing fluorescent tubes.

Social Performance	2021
Turnover Rate (By Gender)	
Male	20.8%
Female	25.0%
Turnover Rate (By Age Group)	
Under 30	26.1%
30-40	20.4%
41-50	22.5%
Above 50	31.3%
Turnover Rate (By Geographical Region)	
Hong Kong	26.6%
Mainland China	18.9%
Percentage of Employees Trained (By Gender)	
Male	100%
Female	100%
Percentage of Employees Trained (By Employment Category)	
Chief level executives	100%
Senior management	100%
Middle management	100%
General staff	100%
Average Training Hours (Hong Kong Office)	
Male	31.1
Female	45.6
Chief level executives	37.4
Senior management	29.2
Middle management	32.2
General staff	46.8
Average Training Hours (Mainland China Offices)	
Male	38.5
Female	45.3
Chief level executives	43.7
Senior management	40.5
Middle management	33.2
General staff	49.0

Social Performance	2021
Occupational Health and Safety Statistics (Employee)	
Work-related fatalities	0
Fatality rate	0
Work-related injuries[12]	1
Injury rate[13]	0.36
Lost days due to work injury	0
High-consequence work-related injuries[14]	0
High-consequence work-related injury rate	0
Occupational Health and Safety Statistics (Third-party Contractors and Subcontractors Working On-site)	
Work-related fatalities	0
Fatality rate	0
Work-related injuries	0
Injury rate	0
Lost days due to work injury	0
High-consequence work-related injuries	0
High-consequence work-related injury rate	0
Suppliers (By Geographical Region)	
Hong Kong	219
Mainland China	184
Other Asian regions	5
Regions outside Asia	5

Notes:

12 Types of work-related injury include muscle sprain and minor injuries including cuts and bruises.

13 Injury rate referred to the calculation methods suggested in GRI403-9. (Injury rate = (Total work-related injuries/Total working hours) x 200,000)

14 Refers to work-related injury that results in an injury from which the worker cannot or is not expected to recover fully to pre-injury health status within 6 months

GRI AND STOCK EXCHANGE'S *ESG REPORTING GUIDE* CONTENT INDEX

This Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Listing Rules and GRI Standards: Core option. The following table provides an overview of the Material Topics, General Disclosures and the Key Performance Indicators (KPI) under the Subject Areas and Aspects of the guide, which are either referred to the relevant chapters of the Report or supplemented with additional information.

ESG Reporting Guide Content Index

General Disclosures and KPIs	Description	Cross-References/Remarks
Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact in the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	We do not hold any relevant policy as our operations do not cause significant impact on the air, greenhouse gas emissions, discharges into water and land, and generation of hazardous waste. There are no relevant laws or regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
KPI A1.1	The types of emissions and respective emissions data.	Emissions caused by fuel combustion of the Group's vehicles[15]: SO_x: 0.137 kg NO_x: 5.131 kg PM: 0.378 kg
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit production volume, per facility)	Our Environment; Performance Data
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Our Environment; Performance Data
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment; Performance Data

Note:

15 Estimated by referencing *Report Guidance on Environmental KPIs* published by Hong Kong Exchanges and Clearing Limited and the Energy Utilisation – Transport Sector published by Hong Kong Electrical and Mechanical Services Department.

General Disclosures and KPIs	Description	Cross-References/Remarks
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Our Environment
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduce target(s) set and steps taken to achieve them.	Our Environment
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw material.	Our Environment We do not hold any relevant policy as the impact of water consumption on environment in our operations is insignificant. Nonetheless, we are committed to actively exploring various water conservation options to continuously improve the water efficiency of our operations.
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Our Environment; Performance Data
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Performance Data Only includes water consumption for drinking. The property management could not provide the water consumption figure for the Group's offices.
KPI A2.3	Description of energy use efficient target(s) set and steps taken to achieve them.	Our Environment
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Our office's water is managed by property management. We did not find any issue in water sourcing. We are committed to actively exploring various water conservation options to continuously improve the water efficiency of our operations.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	We do not generate any packaging material in our office operations.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Our office operations will not cause any significant impact on the environment and natural resources.
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our office operations will not cause any significant impact on the environment and natural resources.

General Disclosures and KPIs	Description	Cross-References/Remarks
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	CEL's Approach to ESG Management; Our Environment The Group has formulated the *Guidelines for Responsible Investment*, which considers climate change and ESG factors in investment decision-making and practice. While creating stable returns for investors, it promotes domestic green development and helps achieve carbon peaking and carbon neutrality goals.
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Our Environment
Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our Employees The Group regularly reviews its employment practice to ensure that we are compliance with the *Employment Ordinance* of Hong Kong, the *Labour Law of the PRC* and other law regulations.
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Our Employees; Performance Data
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our Employees There are no relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

General Disclosures and KPIs	Description	Cross-References/Remarks
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	There are no work-related fatalities occurred in the past three years.
KPI B2.2	Lost days due to work injury	Performance Data
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Our Employees
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our Employees
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Our Employees; Performance Data
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our Employees; Performance Data
Social		
Employment and Labour Practices		
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	The Group has formulated the *Human Rights Policy* and incorporated it into our *Staff Handbook*. Since the Group's business does not involve any deployment of child labour or forced labour, the Group has not formulated relevant policies. However, we will explore the possibilities of including relevant regulations in our *Human Rights Policy* in the future. There are no relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	The Group regularly reviews its employment practice to ensure that we are compliance with the *Employment Ordinance* of Hong Kong, the *Labour Law of the PRC* and other law regulations related to child labour or forced labour.
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	The Group has zero tolerance towards such practice. Violations are subject to internal disciplinary actions or handled by relevant authorities.

General Disclosures and KPIs	Description	Cross-References/Remarks
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	CEL's Approach to ESG Management; Our Environment
KPI B5.1	Number of supplies by geographical region.	CEL's Approach to ESG Management; Performance Data
KPI B5.2	Description of practices relating to engaging supplies, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	CEL's Approach to ESG Management; Our Environment
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	CEL's Approach to ESG Management; Our Environment
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	CEL's Approach to ESG Management; Our Environment
Operating Practices		
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	The Group has not identified material concerns in its services regarding health and safety, thus a dedicated policy is not in place. Meanwhile, we have formulated the *Management Measures for Confidential Information and Confidentially Agreements* in light of advertising, labelling and privacy matters relating to our services provided, so as to safeguard client assets and data, respect intellectual property rights, and to protect the interests of all stakeholders and at the same time meet our statutory responsibility as a Hong Kong listed company and parent of a number of regulated entities. There are no relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable as the Group does not provide any physical products.

General Disclosures and KPIs	Description	Cross-References/Remarks
KPI B6.2	Number of products and services related complaints received and how they are dealt with.	There were no complaints during the reporting period.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our *Staff Handbook* details the requirements for observing and protection intellectual property rights generated during the performance of their duties do not infringe the rights of others.
KPI B6.4	Description of quality assurance process and recall procedures.	Not Applicable
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Our *Management Measures for Confidential Information and Confidentially Agreements* states that employees have the responsibility to keep confidential information including client data and privacy secure; it also details related implementation and monitoring methods (such as the procedures and regulations for signing confidentiality agreements).
Operating Practices		
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	CEL's Approach to ESG Management

General Disclosures and KPIs	Description	Cross-References/Remarks
KPI B7.1	Number of conducted legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	There were no legal cases regarding corrupt practices brought against the Group or its employees during the reporting period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	Refer to "General Disclosure" and chapter "Corporate Governance Report" in the Annual Report 2021.
KPI B7.3	Description of anti-corruption training provided to directors and staff	CEL's Approach to ESG Management; Our Employees
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Our Community
KPI B8.1	Focus areas of contribution (e.g. education environmental concerns, labour needs, health, culture, sport).	Our Community
KPI B8.2	Resources contributed (e.g. money or time) or to the focus area.	Our Community

GRI Content Index

Disclosure Number	Disclosure	Cross-references/Remarks	Page Numbers
General Disclosure			
GRI 102: General Disclosures 2016			
102-1	Name of the organisation	About This Report	P.43-44
102-2	Activities, brands, products, and services	Our Sustainable Business	P.49-50
102-3	Location of headquarters	About This Report	P.43-44
102-4	Location of operations	About This Report	P.43-44
102-5	Ownership and legal form	About This Report For details of ownership, please refer to this Annual Report.	P.43-44
102-6	Market served	About This Report	P.43-44
102-7	Scale of the organisation	CEL's Approach to ESG Management For details of scale of the organisation, please refer to this Annual Report.	P.51-55

Disclosure Number	Disclosure	Cross-references/Remarks	Page Numbers
102-8	Information on employees and other workers	Our Employees; Performance Data The Group's activities are not performed by a significant amount of workers who are not employees.	P.56-61; P.81-84
102-9	Supply chain	CEL's Approach to ESG Management	P.51-55
102-10	Significant changes to the organisation and its supply chain	There were no significant changes.	N/A
102-11	Precautionary Principle or approach	CEL's Approach to ESG Management	P.51-55
102-12	External initiatives	The Group has not subscribed or endorsed any external initiatives.	N/A
102-13	Membership of associations	Recognition, Awards and Membership	P.74-75
Strategy			
GRI 102: General Disclosures 2016			
102-14	Statement from senior decision-maker	Refer to the chapter "Chairman Statement" in the Annual Report.	P.26-28
Ethics and Integrity			
GRI 102: General Disclosures 2016			
102-16	Values, principles, standards, and norms of behaviour	CEL's Approach to ESG Management	P.51-55
Governance			
GRI 102: General Disclosures 2016			
102-18	Governance structure	Refer to the chapter "Corporate Governance Report" in the Annual Report.	P.98-121
Stakeholder Engagement			
GRI 102: General Disclosures 2016			
102-40	List of stakeholder groups	Materiality Assessment and Stakeholder Engagement	P.45-49
102-41	Collective bargaining agreements	No current employees are covered by collective bargaining agreements.	N/A
102-42	Identifying and selecting stakeholders	Materiality Assessment and Stakeholder Engagement	P.45-49
102-43	Approach to stakeholder engagement	Materiality Assessment and Stakeholder Engagement	P.45-49
102-44	Key topics and concerns raised	Materiality Assessment and Stakeholder Engagement	P.45-49

Disclosure Number	Disclosure	Cross-references/Remarks	Page Numbers
GRI 102: General Disclosures 2016			
102-45	Entities included in the consolidated financial statements	Refer to the chapter "Consolidated Statement of Financial Position" in the Annual Report	P.157-158
102-46	Defining report content and topic boundaries	About This Report	P.43-44
102-47	List of material topics	Materiality Assessment and Stakeholder Engagement	P.45-49
102-48	Restatements of information	No restatement was made on the content of last year's report.	N/A
102-49	Changes in reporting	About This Report; Materiality Assessment and Stakeholder Engagement Compared with the previous reporting period, the topics reported in this report have the following changes: Added to Material Topics – Product Responsibility, Socio-Economic Compliance, Occupational Health and Safety, Employee Benefits, Social Investment Removed from Material Topics – Greenhouse Gas Emission and Pollutant, Energy Efficiency, Material and Resource use	P.43-44; P.45-49
102-50	Reporting period	About This Report	P.43-44
102-51	Date of most recent report	Last report was published on 8 April 2021	N/A
102-52	Reporting cycle	Annual	N/A
102-53	Contact point for questions regarding the report	About This Report	P.43-44
102-54	Claims of reporting in accordance with the GRI Standards	About This Report	P.43-44
102-55	GRI content index	GRI and Stock Exchange's *ESG Reporting Guide* Content Index	P.85-97
102-56	External assurance	We will consider external assurance in the future.	N/A
GRI 200: Economics			
Economic Performance			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	P.45-49
103-2	The management approach and its components	Refer to the chapter "Management Discussion and Analysis" in the Annual Report	P.29-41
103-3	Evaluation of the management approach	Refer to the chapter "Management Discussion and Analysis" in the Annual Report	P.29-41

Disclosure Number	Disclosure	Cross-references/Remarks	Page Numbers
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated and distributed	Performance Data	P.81-84
Indirect Economic Impacts			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	P.45-49
103-2	The management approach and its components	Refer to the chapter "Management Discussion and Analysis" in the Annual Report	P.29-41
103-3	Evaluation of the management approach	Refer to the chapter "Management Discussion and Analysis" in the Annual Report	P.29-41
GRI 203: Indirect Economic Impacts 2016			
203-2	Significant indirect economic impacts	The Group has not identified any significant indirect economic impacts that may be caused to stakeholders and the economy during our operations	N/A
Anti-corruption			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	P.45-49
103-2	The management approach and its components	CEL's Approach to ESG Management	P.51-55
103-3	Evaluation of the management approach	CEL's Approach to ESG Management	P.51-55
GRI 204: Anti-corruption 2016			
205-3	Confirmed incidents of corruption and actions taken	CEL's Approach to ESG Management	P.51-55
Responsible Investment			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	P.45-49
103-2	The management approach and its components	CEL's Approach to ESG Management; Our Environment	P.51-55; P.63-69
103-3	Evaluation of the management approach	CEL's Approach to ESG Management; Our Environment	P.51-55; P.63-69

Disclosure Number	Disclosure	Cross-references/Remarks	Page Numbers
GRI 300: Environmental			
Environmental Compliance			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	P.45-49
103-2	The management approach and its components	Our Environment	P.63-69
103-3	Evaluation of the management approach	Our Environment	P.63-69
GRI 307: Environmental Compliance 2016			
307-1	Non-compliance with environmental laws and regulations	Our Environment	P.63-69
GRI 400: Social			
Employers-employee Relations			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	P.45-49
103-2	The management approach and its components	Our Employees	P.56-61
103-3	Evaluation of the management approach	Our Employees	P.56-61
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	Our Employees; Performance Data	P.56-61; P.81-84
Occupational Health and Safety			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	P.45-49
103-2	The management approach and its components	Our Employees	P.56-61
103-3	Evaluation of the management approach	Our Employees	P.56-61
Occupational Health and Safety			
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	Our Employees	P.56-61
403-2	Hazard identification, risk assessment, and incident investigation	Our Employees	P.56-61
403-3	Occupational health services	Our Employees	P.56-61
403-4	Worker participation, consultation, and communication on occupational health and safety	Our Employees	P.56-61

Disclosure Number	Disclosure	Cross-references/Remarks	Page Numbers
403-5	Worker training on occupational health and safety	Our Employees	P.56-61
403-6	Promotion of worker health	Our Employees	P.56-61
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Our Employees	P.56-61
403-9	Work-related injuries	Our Employees; Performance Data	P.56-61; P.81-84
Training and Education			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	P.45-49
103-2	The management approach and its components	Our Employees	P.56-61
103-3	Evaluation of the management approach	Our Employees	P.56-61
GRI 404: Training and Education 2016			
404-1	Average hours of training per year per employee	Our Employees; Performance Data	P.56-61; P.81-84
404-2	Programs for upgrading employee skills and transition assistance programs	Our Employees	P.56-61
Diversity and Equal Opportunity			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	P.45-49
103-2	The management approach and its components	Our Employees	P.56-61
103-3	Evaluation of the management approach	Our Employees	P.56-61
Diversity and Equal Opportunity			
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	Our Employees; Performance Data Diversity Data of the Board of Directors: By Gender: Male – 88.9% Female – 11.1% By Age Group: 30-50 years old – 33.3% Over 50 years old – 66.7%	P.56-61; P.81-84

Disclosure Number	Disclosure	Cross-references/Remarks	Page Numbers
Local Communities			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	P.45-49
103-2	The management approach and its components	Our Community	P.70-73
103-3	Evaluation of the management approach	Our Community	P.70-73
GRI 413: Local Communities 2016			
413-2	Operations with significant actual and potential negative impacts on local communities	The Group has not identified any operation activities with significant actual or potential negative impacts on local communities.	N/A
Marketing and Labeling			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	P.45-49
103-2	The management approach and its components	CEL's Approach to ESG Management	P.51-55
103-3	Evaluation of the management approach	CEL's Approach to ESG Management	P.51-55
GRI 417: Marketing and Labelling 2016			
417-2	Incidents of non-compliance concerning product and service information and labelling	We have had no incidents of non-compliance with regulations related to information and labelling of products and services.	N/A
Socioeconomic Compliance			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	P.45-49
103-2	The management approach and its components	Our Employees	P.56-61
103-3	Evaluation of the management approach	Our Employees	P.56-61
GRI 419: Socioeconomic Compliance 2016			
419-1	Non-compliance with laws and regulations in the social and economic area	We have not violated the laws and regulations in the social and economic fields.	N/A

CORPORATE GOVERNANCE REPORT

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

GOVERNANCE PRINCIPLES AND STRUCTURE

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

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

The Company's board of directors (the "Director(s)") (the "Board") would like to confirm that, following careful examination and review, the Company has complied with all code provisions of the Code for the year ended 31 December 2021, save for the deviation from code provision C.2.1 (formerly code provision A.2.1) of the Code during the period until 24 March 2021 as detailed in the section headed "Chairman and President" in this report.

BOARD

Composition of the Board

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

EXECUTIVE DIRECTORS

- Dr. Zhao Wei (Chairman)
- Mr. Zhang Mingao (President)
- Mr. Wang Hongyang
- Mr. Yin Yanwu

NON-EXECUTIVE DIRECTORS

- Ms. Pan Wenjie
- Mr. Fang Bin

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

The number of INEDs represents not less than one-third of the Board as required under the Listing Rules. All the INEDs possess appropriate professional qualifications and accounting or related financial management expertise.

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

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

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

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

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

If any substantial Shareholder or Director has a potential conflict of interest in a matter to be considered by a general meeting or the Board, the relevant Directors shall abstain from voting and a Board meeting attended by INEDs who have no material interest in the matter shall be held to discuss and vote on the resolution. There are no relationships (including financial, business, family or other material/relevant relationship(s)) among the Board members.

Board and Workforce Diversity

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

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

As at 31 December 2021, the Board comprised eight males and one female and the senior management of the Group (excluding the Executive Directors) comprised two males and one female; and among the 282 full-time employees of the Group's headquarters and wholly-owned subsidiaries, the ratio of male to female staff was 1.2:1. The Board considers that the Board, the Group's senior management and workforce are all diverse in terms of gender. At present, the Company has not set any measurable objectives for implementation of the diversity policies in relation to the Board members and the workforce of the Group (including gender diversity). However, the Company will consider and review from time to time such diversity policies (including gender diversity) and setting of any measurable objectives (if applicable).

Under the current Board structure, all Directors possess extensive experience in financial industry and management. In addition, not less than one-third of them are INEDs, of whom some are experts in strategic development, financial and/or risk management. Biographical details with the professional experience, skills and knowledge of the Directors are available in the section of "Directors and Senior Management" on pages 144 to 148 of this Annual Report.

The Board considers that diversity of the Board and the workforce is a vital asset to the business of the Group. Board appointments and employee recruitments are based on merit, and candidates are considered against objective criteria, having due regard to the benefits of diversity, including but not limited to gender diversity. Selection of candidates of different genders depends on the pool of candidates of each gender with the necessary knowledge, experience, skills and educational background. The final decision is based on merit and contribution the chosen candidate will bring to the Board or the Group.

Role of Independent Non-executive Directors

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

The Company has multiple mechanisms in place to ensure independent views and input are available to the Board. When reviewing the structure, size and composition of the Board, the Nomination Committee puts emphasis on whether the composition of Executive and Non-Executive Directors (including INEDs) is balanced and ensures that there is a strong independent element on the Board. INEDs should be of sufficient calibre and number for their views to carry weight. All Directors (including INEDs) are given opportunities to include matters in the agenda for regular Board meetings. Upon a reasonable request of any Director, the Board should resolve to provide separate independent professional advice, at the Company's expense, to the Director(s) to assist such Director(s) or the Board in performing duties to the Company. If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a Board meeting rather than a written resolution. INEDs who, and whose associates, have no material interest in the transaction should be present at that Board meeting. Besides, a controversial matter is required to be discussed at a Board meeting rather than being dealt with by a written resolution so as to ensure that Directors (including INEDs) are given opportunities to exchange their views instantly with each other. The Chairman at least annually holds a meeting with the INEDs without the presence of other Directors. The Board considers that the implementation of above mechanisms is effective.

Directors' Liability Insurance

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

Responsibilities of the Board

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

- approves CEL's long term strategy and monitors its implementation;
- monitors and controls CEL's operations, financial and environmental, social and governance ("ESG") performance through reviewing and approving its business plan and financial budget, and ensures CEL has adequate resources, staff qualification and experience in accounting, financial reporting and internal audit functions, as well as those relating to CEL's ESG performance and reporting;

- ensures timely and accurate disclosure to and communication with stakeholders;
- approves the annual and interim results to ensure the integrity of CEL's accounting and financial reporting system and compliance with the relevant laws and standards;
- reviews and monitors risk management and internal control of CEL to ensure that appropriate internal control systems are in place, including systems for risk management, financial and operational control;
- monitors the effectiveness of CEL's practices in ESG and corporate social responsibility, ensuring good corporate governance and compliance; and
- monitors the performance of the Management.

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

Corporate Governance Functions

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

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

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

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

Chairman and President

The positions of the Chairman of the Board and the President are held by Dr. Zhao Wei and Mr. Zhang Mingao respectively. The roles of the Chairman and the President are clearly established and stipulated in the terms of reference of the Board. As the Chairman of the Board, Dr. Zhao leads the Board in order to ensure that the Board discharges its formal responsibilities and conforms to good corporate governance practices and procedures. Besides, he is also responsible for making sure that all Directors are properly informed of important issues on which the Company is focusing and that all Directors receive accurate, timely and clear information. The Chairman also leads the Board in formulating business objectives and their related strategies. He is also responsible for organising the business of the Board, setting its agenda to take full account of the important issues facing CEL and the concerns of all Directors, ensuring that adequate time is available for thorough discussion of critical and strategic issues, and ensuring its effectiveness with the assistance of the Company Secretary. The Chairman facilitates the effective contribution of the Directors and the effective communication with the stakeholders, ensures that timely and adequate information, which must be accurate, clear, complete and reliable, is delivered to the Directors to fulfill their duties. The Chairman is also overseeing and giving guidance to the Management in order to enhance the functions of the Board. Subject to those matters expressly reserved by the Board, the Board grants its powers and delegates its responsibilities to the Management Decision Committee for the daily administration, operation and management of the business and affairs of the Group. The Management Decision Committee is the ultimate owner of responsibilities of daily administration, operation and management of the business and affairs of the Group and is accountable to the Board. Dr. Zhao Wei, the Chairman of the Board, serves as the chairman of the Management Decision Committee and Mr. Zhang Mingao, the President, serves as the Vice Chairman of the Management Decision Committee. The President assists the chairman of the Management Decision Committee in carrying out the work and is responsible for the relevant daily management matters.

Code provision C.2.1 (formerly code provision A.2.1) of the 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 C.2.1 of the 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 C.2.1 of the Code.

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

Training and Support for Directors

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

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

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

Apart from the above training offered by the Company, based on the training records provided to the Company by the Directors, the Directors also participated in the following training during 2021:

DIRECTORS	TYPE OF TRAINING
EXECUTIVE DIRECTORS	
• Zhao Wei	A, B, C
• Zhang Mingao	A, B, C
• Wang Hongyang	A, C
• Yin Yanwu	A, C
NON-EXECUTIVE DIRECTORS	
• Pan Wenjie	A, C
• Fang Bin	A, C
INDEPENDENT NON-EXECUTIVE DIRECTORS	
• Lin Zhijun	A, C
• Chung Shui Ming Timpson	A, C
• Law Cheuk Kin Stephen	A, C

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

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

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

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

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

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

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

Attendance Rate

The attendance rate of the Directors at Board meetings and various Board committee meetings as well as the general meetings of the Company in 2021 is set out below:

DIRECTORS/MEMBERS	BOARD MEETING	NOMINATION COMMITTEE MEETING	AUDIT & RISK MANAGEMENT COMMITTEE MEETING	REMUNERATION COMMITTEE MEETING	ESG COMMITTEE MEETING	GENERAL MEETING
• Zhao Wei	8/8	N/A	N/A	N/A	1/1	1/1
• Zhang Mingao	8/8	N/A	N/A	N/A	1/1	1/1
• Wang Hongyang[1]	N/A	N/A	N/A	N/A	N/A	N/A
• Yin Yanwu[2]	N/A	N/A	N/A	N/A	N/A	N/A
• Tang Chi Chun Richard[3]	5/5	N/A	N/A	N/A	N/A	1/1
• Yin Lianchen[4]	4/4	N/A	N/A	N/A	N/A	1/1
• Pan Wenjie[5]	1/1	N/A	N/A	N/A	N/A	N/A
• Fang Bin[6]	N/A	N/A	N/A	N/A	N/A	N/A
• Lin Zhijun	8/8	5/5	7/7	4/4	N/A	1/1
• Chung Shui Ming Timpson	8/8	5/5	7/7	4/4	N/A	1/1
• Law Cheuk Kin Stephen	8/8	5/5	7/7	4/4	1/1	1/1
• Cai Minnan[7]	N/A	N/A	N/A	N/A	1/1	N/A

Notes:

1 Mr. Wang Hongyang was appointed as an Executive Director with effect from 31 December 2021.

2 Mr. Yin Yanwu was appointed as an Executive Director with effect from 31 December 2021.

3 Mr. Tang Chi Chun Richard resigned as an Executive Director with effect from 1 December 2021.

4 Mr. Yin Lianchen resigned as an Executive Director with effect from 5 August 2021.

5 Ms. Pan Wenjie was appointed as a Non-executive Director with effect from 23 December 2021.

6 Mr. Fang Bin was appointed as a Non-executive Director with effect from 31 December 2021.

7 Dr. Cai Minnan is Vice President of the Group.

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

BOARD COMMITTEES

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

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

Executive Committee

The Executive Committee currently consists of all of the four Executive Directors, including Dr. Zhao Wei, Mr. Zhang Mingao, Mr. Wang Hongyang and Mr. Yin Yanwu. Dr. Zhao Wei, the Chairman of the Board, is the chairman of the Executive Committee. Upon delegation by the Board, the Executive Committee makes decisions regarding major issues as proposed by the Board through interactive communications from time to time.

Audit and Risk Management Committee

The Audit and Risk Management Committee (the "Committee") currently comprises three members, and all members including the chairman are INEDs. The Committee is chaired by Dr. Chung Shui Ming Timpson and the other members are Dr. Lin Zhijun and Mr. Law Cheuk Kin Stephen. All of them possess appropriate professional qualifications and experiences in financial business. Further to the terms of reference required to be performed by the audit committee under the Listing Rules, it also assists the Board in formulating and monitoring the risk management strategy and related framework and policy of the Company. The Vice President of the Group in charge of Risk Management, Legal and Compliance assists the Committee in performing the daily risk management function with guidance of the Committee in order to ensure that the risk management and internal control systems have been implemented and complied with. The Committee assists the Board in fulfilling its responsibilities relating to the supervision of the financial statements, internal control, internal audit and external audit of the Company. The written terms of reference of the Committee, which were prepared with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants and updated with reference to the requirement of the Code, were approved and properly authorised by the Board. The Terms of Reference of the Committee is available for inspection on the Company's website. The Committee mainly assists the Board in performing its role in the Company in the following areas, among others:

Internal Audit Function

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

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

External Auditors

- to appoint, retain, dismiss and replace the Company's External Auditors, subject to endorsement by the Board and final approval and authorisation by the Shareholders in general meetings, and to approve the remuneration and terms of engagement of the External Auditors, and any questions of its resignation or dismissal; and monitor the associated fees and independence of the External Auditors to ensure that the performance of non-audit services does not impair the independence of the External Auditors in connection with their audit. The non-audit service to be performed by the External Auditors shall be separately identified in connection with its pre-approval if the total amount of fees exceeds the annual caps authorised by the Committee;
- to meet the External Auditors at least annually, in the absence of the Management, to discuss matters relating to any issues arising from the audit and any accounting, financial reporting or internal control matters the External Auditors may wish to raise;
- to review and monitor the effectiveness of the audit process in accordance with applicable standards and discuss with the External Auditors the nature and scope of the audit and reporting obligations before the audit commences;
- to review the work of the External Auditors (including the resolution of any disagreement between the Management and the External Auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, the scope of their audit and any other services, and approve the fees for and terms of their services;
- review with the External Auditors recent or anticipated developments in accounting principles or reporting practices that may affect the Company or the scope of the audit; and discuss major anticipated audit problems, if any;

- to review results of audits performed by the External Auditors including any changes in accounting procedures and/or the system of internal controls noted or developed during the audit examination along with matters of controversy, if any, with the Management, determine appropriate actions required on significant control weaknesses, and recommend such actions to the Board; and
- to review the External Auditors' management letter, any material queries raised by the External Auditors to the Management about accounting records, financial statements or systems of control and the Management's response.

Financial Reporting

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

The Committee invites the Group's Vice President in charge of Finance, Vice President in charge of Risk Management, Legal and Compliance, Head of Internal Audit Department and External Auditors to attend all its meetings. The Committee considers any significant and unusual items that are, or may need to be, reflected in the report and financial statements, and gives due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

Risk Management

Pursuant to code provisions D.2.3 and D.2.4 (formerly code provisions C.2.3 and C.2.4) of the Code, with assistance of the Vice President of the Group in charge of Risk Management, Legal and Compliance, the Committee considers and reports to the Board for its review of:

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

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

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

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

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

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

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

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

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

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

(e) the process used to resolve material internal control defects for any significant problems disclosed in its annual reports and financial statements.

A comprehensive analysis of the risks affecting the businesses of the Company and the associated mitigation measures is set out in the Risk Management Report on pages 122 to 129 in this Annual Report.

Corporate Governance

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

Whistleblowing

The Committee is responsible for monitoring the use and effectiveness of the whistleblowing policy for employees and third parties who deal with the Group, such as the Group's clients and suppliers that provide products or services to the Group, to raise concerns, in confidence and anonymity, with the senior management of the Group or the Committee about possible improprieties in any matter related to the Group, including but not limited to breach of legal or regulatory requirement, breach of policy or code of conduct of the Group, illegal activity, misconduct or fraud involving internal control, accounting, audit and financial matters, and misconduct or immoral behavior that may prejudice the reputation of the Group, etc. When employees and third parties reasonably suspect any misconduct in the Group, they can notify the Vice President of the Group in charge of risk management, who shall investigate the matter and report to the Committee if a prima facie case is established. If, for any reason, the whistleblower does not wish to report to the Vice President of the Group in charge of risk management, then the whistleblower can report to the chairman of the Committee. The Committee shall then decide how the investigation is to be proceeded. The Vice President of the Group in charge of the risk management and the Company Secretary of the Company shall report to the Committee annually at the Committee's meeting in respect of all whistleblowing cases received during the year under the whistleblowing policy and the respective status of handling. The Group's whistleblowing policy is available on the Company's website under the "Sustainability" column.

Seven Committee meetings were held during the year with an attendance rate of 100%. The work performed by the Committee in 2021 included the review and, where applicable, approval of:

- the Company's financial statements for the year ended 31 December 2020 and the annual results announcement thereof, which were recommended to the Board for approval;
- the Company's interim financial statements for the six months ended 30 June 2021 and the interim results announcement thereof, which were recommended to the Board for approval;
- the audit report and management letter submitted by the external auditors;
- the quarterly risk assessment report submitted by the risk management function;
- the quarterly internal audit report submitted by the Internal Audit Department;
- the re-appointment of external auditors, and the audit fees and non-audit fees payable to external auditors for the annual audit, interim review and other non-audit services; and
- CEL's internal audit plan and key areas of the internal audit work focus for 2022.

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

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

Nomination Committee

The Nomination Committee currently has three members comprising Dr. Lin Zhijun, Dr. Chung Shui Ming Timpson and Mr. Law Cheuk Kin Stephen. Dr. Lin Zhijun, an INED, is the chairman of the Nomination Committee. All members of the Nomination Committee are INEDs. The Nomination Committee is responsible for assisting the Board in nominating the right candidates for directorship and senior management positions as well as for evaluating the competence of the candidates to ensure that they are in line with the Company's overall development directions and related requirements under the Listing Rules. The Nomination Committee assists the Board in fulfilling its supervisory role over the Company in the following areas, among others:

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

For the recruitment of Directors and senior management, the Nomination Committee first takes into account the skills, knowledge and experiences of the Board and Board committees, and the business requirements of the Company in order to determine the key requirements for the candidates and objective criteria for selection. Such criteria include relevant expertise, integrity, industry experiences and independence, etc., taking into account the benefits of diversity, including but not limited to gender diversity.

The provisions set out in the above paragraphs are the key nomination criteria and principles of the Company for nomination of directors, and these constitute the nomination policy of the Company adopted by the Nomination Committee during the year. The Nomination Committee monitors and reviews the nomination policy annually.

The Nomination Committee held five meetings in the year and passed one resolution in writing to transact its business for making recommendations to the Board on the appointment of Executive Directors, Non-executive Directors, President and Vice Presidents, reviewing the structure, size and composition (including skills, experience and knowledge) of the Board and the Board committees, reviewing the Board diversity policy and the nomination policy, assessing the independence of the INEDs and making recommendations to the Board on the re-election of the retiring Directors at the annual general meeting of the Company, etc. The attendance rate of the Nomination Committee meetings was 100%.

Remuneration Committee

The Remuneration Committee currently has three members comprising Dr. Lin Zhijun, Dr. Chung Shui Ming Timpson and Mr. Law Cheuk Kin Stephen. The Remuneration Committee is chaired by Dr. Lin Zhijun, an INED. All members of the Remuneration Committee are INEDs. The Remuneration Committee, as delegated by the Board, is responsible for assisting the Board in overseeing the Group's human resources and remuneration policies. The Remuneration Committee assists the Board in fulfilling its supervisory role over the Company in the following areas, among others:

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

A total of four meetings were held by the Remuneration Committee during the year with an attendance rate of 100%. The work performed by the Remuneration Committee in 2021 included the review and, where applicable, approval of:

- the performance appraisal of the Executive Directors and senior management for the year 2020;
- the proposal on staff bonus (including the senior management) for the year 2020 and salary adjustments for the year 2021 for the Company;
- the incentive scheme of the Company; and
- the policies on performance appraisal of the Company's staff (including senior management), annual bonus and annual salary adjustments.

Directors' Remuneration Policy

To ensure that the Directors receive remuneration commensurate with the time and effort they dedicate to the Company, Directors and senior management's remuneration should be appropriate and reflect their duty and responsibility to fulfill the expectations of the Shareholders and meet regulatory requirements. The Board is authorised by a resolution passed at the annual general meeting each year to fix the remuneration of Directors. The Remuneration Committee, as delegated by the Board, in proposing the remuneration of Directors, makes reference to companies of comparable business type or scale, and the nature and quantity of work at both Board and Board committees (including frequency of meetings and nature of agenda items). The Remuneration Committee also determines the specific remuneration package of Executive Directors and senior management, including share options and benefits in kind. The Board, based on the recommendations of the Remuneration Committee, approves the remuneration policy of the Company. Currently the principal components of the Company's remuneration package for Executive Directors and senior management include the basic salary, a discretionary bonus and other benefits in kind. According to the directors' remuneration policy of the Company, Executive Directors and Non-executive Directors shall not receive any directors' emolument and salary for their office of Directors. For the employment of an Executive Director in any executive position of the Group, such Executive Director is entitled to a basis salary and allowance and a discretionary bonus, which are determined by the Remuneration Committee with reference to his/her duties and responsibilities, his/her performance, the performance of the Group and the market conditions. A significant portion of the Executive Directors' or senior management's discretionary bonus is based on the Company's and the individual's performance during the year in order to achieve an appropriate compensation level. INEDs are entitled to a Director's fee and basic allowance as well as an allowance for attending each meeting of Board and Board committees, which are determined by the Board with reference to the market conditions. None of the Directors is entitled to determining his/her own remuneration package. The Remuneration Committee reviews and approves the annual and long term performance targets for senior management with reference to corporate goals and objectives approved by the Board from time to time. The Remuneration Committee also reviews the performance of the senior management against the targets set on an ongoing basis, and reviews and approves the specific performance-based remuneration of the senior management. The Remuneration Committee seeks professional advice in appropriate circumstance at the cost of the Company.

The remuneration received by each of the Directors in 2021 is listed in note 8(a) to the financial statements in this Annual Report. The current Directors' remuneration approved by the Board as authorised by Shareholders at the general meeting is as follows:

There is no Director's fee for Executive Directors and Non-executive Directors. The Director's fee is HK$200,000 per annum for each INED who has served for one full year and pro-rated for INED who did not serve for one full year. There is no standard fee for INEDs for acting as member(s) of the Remuneration Committee, Audit and Risk Management Committee, Nomination Committee, ESG Committee and Strategy Committee. However, an allowance is to be paid to INEDs for attending the following meetings:

(a) HK$12,000 for attending a Board meeting;

(b) HK$7,000 for attending a meeting of the Remuneration Committee, Nomination Committee, ESG Committee and Strategy Committee; and

(c) HK$20,000 for the chairman of the Audit and Risk Management Committee attending its meeting and HK$16,000 for other members.

A basic allowance in a total amount of HK$100,000 is to be paid to each INED every year by 30 June and 31 December.

Remuneration of Directors and Senior Management

The remuneration of the members of the senior management (including Executive Director) by band for the year ended 31 December 2021 is set out below:

REMUNERATION BANDS (HK$)	NUMBER OF PERSONS
HK$2,500,001 to HK$3,000,000	2
HK$3,000,001 to HK$3,500,000	1
HK$3,500,001 to HK$4,000,000	1
HK$4,000,001 to HK$4,500,000	1
HK$5,000,001 to HK$5,500,000	1
HK$5,500,001 to HK$6,000,000	1

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

Environmental, Social and Governance Committee

The ESG Committee was established on 24 June 2021. The ESG Committee currently has five members comprising Dr. Zhao Wei (Chairman of the Board), Mr. Zhang Mingao (President), Mr. Fang Bin (Non-executive Director), Mr. Law Cheuk Kin Stephen (INED) and Dr. Cai Minnan (Vice President). Dr. Zhao Wei is the chairman of the ESG Committee. The ESG Committee is responsible for assisting the Board in and reporting to the Board on the following areas, among others:

- to formulate and review the Group's ESG vision, strategies, targets, governance structure and policies, and to monitor the incorporation of ESG principles into the business decision-making procedures;
- to identify and assess material ESG issues involving the business of the Group and/or other significant stakeholders and their priority, and to formulate the policy for communication with stakeholders;
- to review and monitor the implementation of the Group's ESG policies and measures and the ESG-related risk management and internal control system;
- to monitor the Group's ESG performance and effectiveness; and
- to review the ESG reports prepared in accordance with the requirements of the Listing Rules or other applicable laws and regulations, and to make recommendations to the Board for approval and confirming the issuance of ESG statements of the Board.

After establishment, the ESG Committee held one meeting during the year to review the work plan of the ESG working group and adopt the ESG policies of the Group, etc. The attendance rate of the ESG Committee meeting was 100%.

Strategy Committee

The Strategy Committee is responsible for studying the long term strategy and planning of the Group and making recommendations to the Board for the middle and long term development strategies of the Group. The Strategy Committee is chaired by Mr. Law Cheuk Kin Stephen, an INED, and currently has five members including Mr. Law Cheuk Kin Stephen, Dr. Zhao Wei, Mr. Zhang Mingao, Dr. Lin Zhijin and Dr. Chung Shui Ming Timpson. The Strategy Committee reviewed the strategic positioning and development planning of the Company.

Independent Board Committee

An Independent Board Committee will be formed from time to time to make recommendation and give advice to the independent Shareholders on voting on the Company's connected transactions and continuing connected transactions or other transactions of the Group that require independent Shareholders' approval at general meetings.

ACCOUNTABILITY AND AUDIT

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

INTERNAL CONTROL

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

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

The Group's monitoring structure

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

1st. The risk management performed by frontline departments

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

2nd. Continuously monitoring by middle and back office

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

3rd. The independent review of internal audit

Internal audit is an independent department carrying out objective review and providing advisory service. It uses systematic and standardised approach to evaluate whether the operating activities, risk management and internal control are appropriate and effective. The Head of Internal Audit Department reports directly to the Audit and Risk Management Committee on its work while the daily administrative and human resource matters of the department are reported to the Vice President of the Group in charge of Human Resources.

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

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

The review of risk management and internal control by the Board

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

The Board acknowledges that it has the ultimate responsibility to ensure that there are sound and effective financial control and accounting, and internal audit functions. The Board delegates the Audit and Risk Management Committee with the responsibility of reviewing the adequacy of the resources of accounting and financial report, and internal audit functions, as well as those relating to ESG performance and reporting on an annual basis, with the assistance of the Management and the Internal Audit Department. The scope of the review covers the staffing and back-up resources, their relevant working experiences and years served, recognised professional qualifications, the adequacy of budget for training and the corresponding training. The results of the annual review were reported to the Audit and Risk Management Committee and the Board.

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

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

- The Management established an organisational structure with different hierarchies of duties, authorities and responsibilities of personnel; formulated written policies and procedures to provide checks and balances for the authorities of different departments; reasonably safeguarded the assets and the implementation of the internal control measures of the Company; and operated in compliance with laws and regulations under effective risk control.

- The Management formulated and continually monitored the implementation of the Company's development strategies, business plans and financial budgets. The accounting and management systems were also in place to provide the basis for evaluating the financial and operational performance.

- The Company formulated various risk management and human resource management policies. Specific units and personnel were responsible for identifying, assessing and managing each of the major risks types. These include reputation, strategic, legal, compliance, credit, market, operation, liquidity and interest rate risk.

- The Vice President of the Group in charge of Risk Management, Legal and Compliance is responsible for the routine risk management work of the Company and for supporting and assisting the Management in defining and evaluating the risk exposures of the Company's businesses and conducting the co-ordination thereof. He assesses, identifies and records the risk structure of the Company and ensures the relevant business units are aware of such issues. He regularly reports to the Audit and Risk Management Committee and the Management Decision Committee. The Risk Management, Legal and Compliance Department assists him in carrying out his duties.

- The Audit and Risk Management Committee reviews the letter of recommendation submitted by the External Auditors to the Management in connection with the annual audit. The Internal Audit Department is responsible for ensuring that the recommendations are promptly followed, and also periodically reports the status of the implementation thereof to the Audit and Risk Management Committee and keep the Management informed with updated information.

Anti-corruption

The Group has established policies and systems that promote and support anti-corruption laws and regulations. Please refer to the paragraphs headed "Anti-Corruption" in the "Environmental, Social and Governance Report" on pages 42 to 97 of this Annual Report for details.

RISK MANAGEMENT

With assistance of the Audit and Risk Management Committee, the Board is responsible for evaluating and determining the nature and extent of the risks that it is willing to take in achieving the Company's strategic objectives. With assistance of the Risk Management, Legal and Compliance Department and the Management, the Audit and Risk Management Committee is responsible for ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Management's written confirmation on the effectiveness of the risk management and internal control system's structure, their implementation and monitoring to the Board has been set out in the Risk Management Report on pages 122 to 129 in this Annual Report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own "Code for Securities Transactions by Directors and Relevant Employees" (the "Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules to govern the securities transactions of the Directors and relevant employees 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 year ended 31 December 2021.

CONSTITUTIONAL DOCUMENTS

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

EXTERNAL AUDITORS

Pursuant to the responsibility delegated by the Board, the Audit and Risk Management Committee had reviewed and monitored the independence, objectivity and effectiveness of Ernst & Young ("EY"), the Group's External Auditors, on their audit procedures, and the results were satisfactory. Upon the recommendation of the Audit and Risk Management Committee, the Board had proposed that EY be re-appointed as auditors of the Group. Subject to the approval by the Shareholders at the Company's 2022 annual general meeting, the Board will authorise the Audit and Risk Management Committee to determine the remuneration for EY.

For 2021, EY charged total fees of HK$16,615,000 for audit services, HK$2,614,000 for non-audit services (including HK$1,844,000 for the review of the interim financial statements and HK$770,000 for tax and other services). For 2020, EY charged total fees of HK$15,680,000 for audit services, HK$3,963,000 for non-audit services (including HK$1,844,000 for the review of interim financial statements and HK$2,119,000 for tax and other services).

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The following statement should be read in conjunction with the auditor's statement of its responsibilities as set out in the Independent Auditor's Report contained in the 2021 Annual Report of the Company. The statement sets out for the Shareholders the respective responsibilities of the Directors and the auditors in relation to the financial statements.

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

The Directors consider that in preparing the financial statements in the 2021 Annual Report, the Company has adopted appropriate accounting policies which have been consistently applied with the support of reasonable and prudent judgments and estimates, and that all accounting standards which they consider to be applicable have been followed. Directors ensure that the financial statements are prepared so as to give a true and fair view of the financial status, operations and cashflow states of the reporting period.

EFFECTIVE DISCLOSURE MECHANISM AND HANDLING OF INSIDE INFORMATION

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

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

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

Annual General Meeting

The Board attaches a high degree of importance to non-interrupted communications with Shareholders, especially direct dialogue with them at the Company's annual general meetings. Shareholders are encouraged to actively participate in such meetings. Directors, including the Chairman and INEDs, and representatives of EY were present at the Company's 2021 annual general meeting held on 27 May 2021 to address to questions and comments raised by Shareholders.

In addition, the Company also provided further information on the 2021 annual general meeting in a circular to Shareholders. This includes background information to the proposed resolutions and information on the retirement and re-election of Directors in order to enable all Shareholders to understand their rights at the annual general meeting and to make decisions with sufficient information.

Shareholders' Communication Policy

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

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

Physical or online investor briefings and one-on-one meetings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums are available on a regular basis in order to facilitate communications between the Company and the Shareholders and other stakeholders.

The general meeting is the principal opportunity and ideal venue for Shareholders to exchange views on the Company's business with the Directors and the Management. The Board therefore encourages Shareholders to attend the annual general meeting, exercise their right to speak and vote, and give valuable advice on the Company's operational and governance matters. A Q&A session is held at each general meeting to give opportunities to Shareholders to raise questions and share their views in relation to the Group's affairs. Directors (including the Chairman of the Board, the INEDs and the chairman of the Board committees, or their duly appointed delegates) and the Management should be available at general meetings to respond to the Shareholders' questions and comments. The Company also ensures that the representative of the External Auditors attend the Company's annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence, etc.

The Shareholders should direct their questions about their shareholdings to the Company's Share Registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with contact number of (+852) 2980 1333. The Company shall ensure effective and timely dissemination of information to the Shareholders and the public at all times. The Shareholders, potential investors and other stakeholders of the Group may direct their questions to the Corporate Communications Team by email to ir@everbright.com or by phone at (+852) 2528 9882.

Upon reviewing the implementation and effectiveness of the Shareholders' communication policy of the Company, the Board considers the policy and its implementation are effective as the policy has provided effective channels for Shareholders, potential investors and other stakeholders of the Group to communicate their views with the Company and the Company has complied with the principles and required practices as set out in the policy as described above during the year.

Dividend Policy

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

Shareholders' Rights

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

- ### the way in which Shareholders can convene a general meeting:

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

  The request –

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

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

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

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

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

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

- the procedures for making proposals at Shareholders' meetings:

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

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

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

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

- the procedure for Director's nomination and election by Shareholders:

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

SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY

The Company attaches great importance to corporate social responsibility. The Board is committed to undertaking corporate social responsibility by strengthening relationship with its stakeholders with a view to contributing to the sustainable development of the economy, society and environment. The Company consistently supports and participates in activities that are beneficial to the community. Please refer to the "Environmental, Social and Governance Report" set out on pages 42 to 97 of this Annual Report.

COMPANY SECRETARY

Ms. Wan Kim Ying Kasina, the Company Secretary of the Company, is a full time employee of the Company who is familiar with the daily operation of the Company. She is a Fellow of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute of the United Kingdom, thereby possessing the relevant professional qualifications as stipulated by the Listing Rules. The Company Secretary is responsible for advising the Board on all corporate governance matters. The Directors have access to the services provided by the Company Secretary. The Company Secretary confirmed that for the year under review, she has taken no less than 15 hours of relevant professional training.

The Articles states that the appointment and removal of the Company Secretary is a matter for the Board. Changes and appointment of Company Secretary are dealt with by a physical Board meeting rather than a written resolution.

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

RISK MANAGEMENT REPORT

THE SCOPE OF RISK MANAGEMENT & INTERNAL CONTROLS

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

INEDs' overseeing of the risk management process is exercised through the Audit and Risk Management Committee with respect to standards of integrity, financial reporting, risk management and internal controls.

The Vice President of the Group in charge of Risk Management, Legal and Compliance, who reports directly to the Audit and Risk Management Committee, has responsibility for the risk and control framework of the Company and the independent monitoring and reporting of risks and controls.

Risk Management Framework:

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

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

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

Internal Control Framework:

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

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

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

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

RISK & INTERNAL CONTROL REVIEW

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

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

The Vice President of the Group in charge of Risk Management, Legal and Compliance, supported by Risk Management, Legal and Compliance Department and other relevant internal control departments mentioned-above, maintains the Company's risk and internal control review report, which summarises the Company's key risks and internal control matters, key risk indicators, and identified any changes to Company's risk and internal control profile (for more details on the Company's risk and internal control review, please refer to the relevant sections in the Corporate Governance Report).

The risk and internal control review report is updated quarterly and the Vice President of the Group in change of Risk Management, Legal and Compliance provides an update at each quarterly Audit and Risk Management Committee meeting where the Committee members contribute views and raise questions to ensure the risk management and internal controls are effective and in place.

EFFECTIVENESS OF FINANCIAL REPORTING & LISTING RULES COMPLIANCE

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

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

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

PROCESS OF ASSESSMENT AND MANAGEMENT OF SIGNIFICANT RISKS

The Vice President of the Group in charge of Risk Management, Legal and Compliance, supported by Risk Management, Legal and Compliance Department and other middle and back office teams, reviews the business of the Company in order to ensure that business risks are considered, assessed and managed as integral part of the business. There is an ongoing process for identifying, evaluating and managing the Company's significant risks.

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

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

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

MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL

Terms of Reference

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

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

Risk Management & Internal Control

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

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

BOARD RESPONSIBILITY ON RISK MANAGEMENT & INTERNAL CONTROL

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

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

PROCESS OF REVIEWING THE EFFECTIVENESS OF RISK MANAGEMENT & INTERNAL CONTROL

On behalf of the Board, the Audit and Risk Management Committee ("the Committee") carried out the annual assessment of the effectiveness of the risk management and internal control during 2021, including those related to the financial reporting process. In addition, the Committee considered the adequacy of the Company's risk management arrangements in the context of the Company's business and strategy.

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

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

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

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

REVIEW OF KEY RISKS

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

KEY RISK	CHANGES IN 2021	MITIGATING FACTORS
FINANCIAL		
Liquidity Risk	No significant change in risk level	
• Risk of failing to meet the Company's contractual or payment obligations in a timely manner.	• The Company has continued to hold sufficient bank credit facilities and can use these facilities as appropriate to maintain liquidity, based on their utilisation and cash flow conditions, while maintaining financial leverage within the authorised limit.	• The Company's cash position, available facilities and forecast cash flows are closely monitored by Finance Department and under the overseeing of Risk Management Team. • The Company performs long term forecasts and uses stress tests to assess the Company's future liquidity and short term forecasts to closely monitor any change of liquidity need.
Financial Leverage Risk	Risk level increased	
• Key risk that arises from high financial leverage occurs when a company's return on asset does not exceed the interest on the loan, which greatly diminishes a company's return on equity and profitability. • Additionally, high financial leverage may raise the risk of failing to fulfill the relevant requirements from loan covenants (if any) and result in technical default.	• Higher financial leverage has resulted from the increasing demand on capital for new investments, yet it is still within a reasonable level.	• The Company has projected the firm-wide cash flows, return and profitability at least annually. After consideration from the perspective on financial control and risk management, the Management advises the Board regarding the optimised financial leverage ratio and relevant limits for approval. • The approved financial leverage ratio and relevant limits are closely monitored by Finance Department and Risk Management Team regularly.

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

KEY RISK	CHANGES IN 2021	MITIGATING FACTORS
Foreign Currency Risk (No significant change in risk level)		
• Risk that the Company's financial position is exposed to adverse movements in exchange rates.	• Appreciation of RMB during the year had direct or indirect positive impact on the Company's assets invested in RMB, but it was partially offset by the negative impact on RMB panda bonds. Overall foreign currency risk had no significant change.	• Monitor asset exposures by currency and the foreign currency rate movement regularly. • Improve currency matching between asset and liability, reducing currency mismatch risk. • Perform sensitivity analysis on the effect of change in foreign currency rates.
Interest Rate Risk (No significant change in risk level)		
• Change of the interest rate will have negative impact on the Company and its relevant portfolios if there is an interest rate mismatch of the assets and liabilities.	• Cost of borrowing decreased with the decrease in the interest rate of USD/HKD. • As fixed rate RMB Panda bonds accounted for a significant part in the Company's debt structure, the impact caused by the change in the interest rate of USD/HKD was limited.	• Monitoring on interest rate mismatch and sensitivity test are performed regularly. • The Company has managed to decrease overall loan borrowing cost by adjusting the whole loan structure by monitoring interest rate trends of USD/HKD and RMB.
INVESTMENT		
Market Risk (Risk level increased)		
• Risk arises from market movements, which can cause a fall in the value of investments.	• China A-Share and Hong Kong stock market dropped during the year, while US equity market went up. Overall the Company has still faced significant market risk.	• Limits on the aggregate amount of seed capital investment and diversification of the assets invested. • The Company actively develops businesses which are fee based so that our return and profitability will be more stable. • Our asset allocation tends to put more weight into fixed income products which are more immune to market fluctuation. • Actively seek market opportunities to speed up exiting existing investments in order to mitigate market risk of the Company.

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

KEY RISK	CHANGES IN 2021	MITIGATING FACTORS
Credit Risk	Risk level increased	
• Risk exposed to credit losses if borrowers are unable to repay loans and outstanding interest and fees. • In addition, the Company has exposure to counterparties with which we place deposits or trades, and derivative contracts.	• The Company's provision on loan has increased, but the overall credit risk is within controllable level. • Our counterparty risks are broadly unchanged.	We seek to minimize our credit risk from our lending by: • Lending on a majorly secured basis with significantly emphasis placed on the underlying security. • Manage to maintain consistent and conservative loan to value ratios and short-term tenor. • Operating strong control and governance both within business units and with overseeing by Risk Management Team. Our exposures to counterparties are mitigated by: • Seek to diversify our exposures across different counterparties. • Continuous monitoring of credit quality of our counterparties within approved set limits.
OPERATIONAL		
Operational Risk	No significant change in risk level	
• Risk of losses through inadequate or failed internal processes, people or systems or through external events.	• The Company's Operations Centre set up in 2015 has expanded rapidly and enhance continuously the identification, control and management on operational risks.	• Our control systems are designed to ensure operational risks are mitigated to an acceptable level. • Three lines of defend model above mentioned is key point. • Risk and control assessments are used to identify and assess key operational risks. Associated controls are assessed with regard to their design and performance. Where required, processes and controls are enhanced/optimized to improve the supervision and control. • We manage risk events through identification, evaluation reporting, risk mitigating resolution and continuous monitoring with the aim of preventing risk events from recurring. • Relevant trading/settlement/investment operation management systems/information management systems are implemented, enhanced continuously and enhanced automation procedures to mitigate relevant operational risks.

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

KEY RISK	CHANGES IN 2021	MITIGATING FACTORS
Legal and Regulatory Risk		
• Changes to the existing legal, regulatory and tax environments and failure to comply with existing requirements may materially impact the Company. • Failing to treat customers fairly, safeguard client assets or provide advice/products contrary to clients' best interest may damage our reputation and may lead to legal or regulatory consequences including litigation, regulatory condemnation and customer redress. This applies to current, past and future business.	• The changes in legal and regulatory requirements in recent years has led to additional reporting requirements, operational complexity and cost to the Company.	• Compliance Team tracks developments of regulatory compliance matters to advise the Company on the related changes both locally and in other countries, and to advise on developing policies, delivering training and performing monitoring checks and to provide advice to other departments to ensure compliance with regulatory compliance requirements. They also work with project groups to implement key regulatory changes. • To advise on the approval, monitoring and review of existing and new funds/products/investments. • Training for relevant staff regarding the regulatory compliance requirements. • Continuous monitoring of key regulatory compliance requirements.
Information Technology Risk		
• Risk of failure to keep up with changing client expectations or manage upgrades to existing technology may impact the Company's performance.	• The Company continued to invest and upgrade its IT infrastructure and systems, including corporate data warehouse, investment management system and order management system.	• The Company continues to invest in its IT infrastructure, data management system, reporting system and other software/systems. • We has sound governance in place to oversee our major IT projects. • We have in place business continuity and disaster recovery plans.

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

KEY RISK	CHANGES IN 2021	MITIGATING FACTORS
Loss of Key Personnel Risk	No significant change in risk level	
• Risk of failure to recruit or retain appropriately skilled and experienced staff may have a material adverse effect on the Company's operations and implementation of its strategy.	• Annual staff voluntary turnover generally has no significant change in 2021.	• The Company seeks to develop, attract, motivate and retain staff through comprehensive human resource policies. • Comprehensive, systematic and highly transparent evaluation policies are used to evaluate staff performance. • Maintains loyalty through appropriate remuneration and benefit packages. • Contracts for relevant roles have restrictive covenants and enhanced notice periods are in place for key staff. • Comprehensive training is offered to all staff to promote individual and team development. • In order to avoid reliance on any one individual staff, teams are required to ensure each individual has another staff as alternative backup. • We have set up promotion policy so that employees have clear career path to pursue and are motivated to stay for long term development.
REPUTATIONAL		
Reputational Risk	No significant change in risk level	
• Risk that negative publicity regarding the Company will lead to client redemptions and a decline in AUM and revenue. • The risk of damage to the Company's reputation is more likely as a result from one of the other key risks materializing rather than as a standalone risk.	• The Company's brand continued to strengthen in recent years as evidence by positive feedback from clients, increasing AUM and social recognition.	• High standards of conduct and a principled approach to regulatory compliance are integral to our corporate culture and values. We consider key reputational risks when initiating changes in strategy or operating model. • Reputational risk is primarily mitigated through the effective mitigation of the other key risks. • Our risk appetite, risk and compliance policies, governance structures and reward mechanism include significant focus on issues and behaviors that could positively affect the Company's reputation.

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

DIRECTORS' REPORT

The board of directors (the "Director(s)") (the "Board") hereby presents the Annual Report together with the audited financial statements of China Everbright Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in investment holdings and the provision of financial services. The principal activities of the subsidiaries are set out in note 15 to the financial statements. Further discussion and analysis of these activities and business review as required by Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 29 to 41 and the Risk Management Report set out on pages 122 to 129 respectively of this Annual Report. The discussion on the Group's environmental policies and performance, the Group's key relationships with employees, customers, suppliers and other stakeholders, and the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, can be found in the Environmental, Social and Governance Report set out on pages 42 to 97 of this Annual Report. These discussions form part of this Directors' Report.

TURNOVER AND CONTRIBUTION TO GROUP RESULTS

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out on page 155 of this Annual Report.

The Board has recommended the payment of a final dividend of HK$0.30 per share for the year ended 31 December 2021 (2020: HK$0.35 per share).

MAJOR CUSTOMERS AND SUPPLIERS

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 lease and gross sale proceeds from disposal of trading securities of secondary market investments. Accordingly, it is not practicable to state the percentage of the sales attributable to the Group's largest customers and percentage of the purchases attributable to the Group's largest suppliers.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 250 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Movements in property, plant and equipment and investment properties during the year are set out in note 14 to the financial statements.

PROPERTIES

Particulars of major properties held by the Group as at 31 December 2021 are set out on page 251 of this Annual Report.

CHARITABLE DONATIONS

Charitable donation made by the Group for the year ended 31 December 2021 amounted to HK$1,910,000.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of the Company's principal subsidiaries, associates and joint ventures as at 31 December 2021 are set out in notes 15, 16 and 17 to the financial statements respectively.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2021 are set out in note 26 to the financial statements.

BONDS PAYABLE

Particulars of bonds payable of the Group as at 31 December 2021 are set out in note 28 to the financial statements.

SHARE CAPITAL

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

SENIOR PERPETUAL CAPITAL SECURITIES

Details of the senior perpetual capital securities issued by the Company are set out in note 32 to the financial statements.

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 year.

RESERVES

Distributable reserves of the Company as at 31 December 2021 as calculated under the Companies Ordinance amounted to HK$3,101,869,000 (2020: HK$4,046,470,000). The movement in the Company's reserves are set out in note 34 to the financial statements.

BORROWINGS AND INTEREST CAPITALISED

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

EQUITY-LINKED AGREEMENTS

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

CONNECTED TRANSACTIONS

The connected transactions disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") are as follows:

1. On 4 March 2021, Everbright Absolute Return Fund, an indirect wholly-owned subsidiary of the Company, as the subscriber (the "Subscriber") submitted to China Everbright Securities (HK) Limited, the manager of Everbright Income Focus Fund ("EIFF Fund") (the "Manager"), the application form in relation to EIFF Fund pursuant to which the Subscriber agreed to abide by the terms set out in the subscription documents of EIFF Fund (the "Subscription Documents") and subscribe for Class I USD units of EIFF Fund for a subscription amount of USD15,000,000 (the "Subscription"). The Subscriber received the subscription confirmation in respect of the Subscription from the Manager on 8 March 2021 and the subscription of 1,263,689.97 Class I USD units of EIFF Fund completed in accordance with the terms and conditions of the Subscription Documents.

   China Everbright Group Ltd. ("CE Group"), through its wholly-owned subsidiaries, was interested in approximately 49.74% of the total number of issued shares of the Company and was the controlling shareholder of the Company. The Manager was an indirect non-wholly-owned subsidiary of CE Group through Everbright Securities Company Limited. Since the Manager had full control over the conduct of the business, assets and affairs of EIFF Fund, EIFF Fund was an associate of CE Group. Accordingly, the Manager and EIFF Fund were connected persons of the Company and the Subscription constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The Subscription was subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. On 28 June 2021, Shanghai CEL Huhui Equity Investment Management Limited, a wholly-owned subsidiary of the Company, as the general partner of the CEL Linghang (Shenzhen) Private Equity Investment Fund L.P. (Limited Partnership) (the "Fund") (the "General Partner"), and Shanghai CEL Management Advisory Services Limited ("Shanghai CEL Management"), a wholly-owned subsidiary of the Company, and Sun Life Everbright Life Insurance Co., Ltd. ("Sun Life Everbright") as the limited partners of the Fund entered into the limited partnership agreement for the purpose of the establishment of the Fund (the "Limited Partnership Agreement"). Pursuant to the Limited Partnership Agreement, the General Partner, Shanghai CEL Management and Sun Life Everbright committed to contribute RMB4 million, RMB196 million and RMB200 million, respectively, to the Fund.

   CE Group, through its wholly-owned subsidiaries, was interested in approximately 49.74% of the total number of issued shares of the Company and was the controlling shareholder of the Company. CE Group was interested in 50% of the equity interest of Sun Life Everbright and therefore Sun Life Everbright was an associate of CE Group under the Listing Rules. Accordingly, Sun Life Everbright was a connected person of the Company and the entering into of the Limited Partnership Agreement and the formation of the Fund constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The entering into of the Limited Partnership Agreement and the formation of the Fund were subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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

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

On 28 December 2020, the Company entered into the following framework agreements (collectively the "Framework Agreements") with CE Group:

1. Deposit services framework agreement;
2. Asset management services framework agreement;
3. Brokerage services framework agreement; and
4. Custodian services framework agreement.

The Framework Agreements set out the basis upon which members of the Group carry out the transactions contemplated under the Framework Agreements with CE Group and/or its associates for the three financial years ending 31 December 2023. The duration of the Framework Agreements commenced on 1 January 2021 and shall expire on 31 December 2023. CE Group, being the controlling shareholder of the Company, is a connected person of the Company under the Listing Rules and therefore entering into of the Framework Agreements by the Company and the transactions contemplated under the Framework Agreements constitute continuing connected transactions of the Company under the Listing Rules.

(1) Deposit Services

CE Group through its associate Everbright Bank, provides deposit services to the Group, including current and fixed term deposits. The deposit services are subject to the standard terms and conditions of CE Group and its associates. The annual caps for the transactions under the Deposit Services Framework Agreement for the three years ended 31 December 2021, 31 December 2022 and 31 December 2023 are all set at HK$850,000,000. During the year ended 31 December 2021, none of the daily aggregate bank balance maintained with Everbright Bank exceeded HK$850,000,000.

(2) Asset Management Services

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

Material terms:

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

The annual caps for the transactions under the Asset Management Services Framework Agreement for the three years ended 31 December 2021, 31 December 2022 and 31 December 2023 are all set at HK$360,000,000. The transaction amount under the Asset Management Services Framework Agreement for the year ended 31 December 2021 was approximately HK$952,000.

(3) Brokerage Services

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

Material terms:

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

The annual caps for the transactions under the Brokerage Services Framework Agreement for the three years ended 31 December 2021, 31 December 2022 and 31 December 2023 are all set at HK$28,000,000. The transaction amount under the Brokerage Services Framework Agreement for the year ended 31 December 2021 was approximately HK$22,517,000.

(4) Custodian Services

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

Material terms:

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

The annual caps for the transactions under the Custodian Services Framework Agreement for the three years ended 31 December 2021, 31 December 2022 and 31 December 2023 are all set at HK$28,000,000. The transaction amount under the Custodian Services Framework Agreement for the year ended 31 December 2021 was approximately HK$973,000.

(5) Technology Services Framework Agreement

On 8 April 2019, the Company entered into the technology services framework agreement (the "Technology Services Framework Agreement") with CE Group with respect to the provision of technology services by the Group to CE Group and its associates for a term of three years commencing from 1 January 2019 and expiring on 31 December 2021.

Material terms:

- The Group shall provide technology services (including cloud payment platform integration, system platform integration, system development, software-related services, project management and outsourcing, hardware and software maintenance, etc.) to CE Group and its associates.
- The technology services provided shall be on normal commercial terms which are arrived at upon arm's length negotiation and are no less favourable than those available to similar or comparable independent third parties offered by the Group.
- The technology services provided under the Technology Services Framework Agreement shall be non-exclusive. CE Group and its associates are at liberty to obtain technology services from third parties and the Group is at liberty to provide third parties with technology services.

The annual caps for the Technology Services Framework Agreement for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 are HK$100,000,000, HK$200,000,000 and HK$300,000,000 respectively. There were no relevant transactions under the Technology Services Framework Agreement for the year ended 31 December 2021.

Review by the Company's independent non-executive directors ("INED(s)") and auditors

The INEDs had reviewed the above continuing connected transactions for the year ended 31 December 2021 and confirmed that the transactions were:

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

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

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

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

RELATED PARTY TRANSACTIONS

A summary of the material related party transactions entered into by the Group during the year is contained in Note 36 to the financial statements. Save as disclosed above in the paragraphs headed "Connected Transactions" and "Continuing Connected Transactions", no other related party transactions constitute any connected transactions or continuing connected transactions as defined under the Listing Rules during the year. The Company has complied with the applicable requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year.

DIRECTORS

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

Executive Directors:

Dr. Zhao Wei
Mr. Zhang Mingao
Mr. Wang Hongyang (appointed on 31 December 2021)
Mr. Yin Yanwu (appointed on 31 December 2021)
Mr. Tang Chi Chun Richard (resigned on 1 December 2021)
Mr. Yin Lianchen (resigned on 5 August 2021)

Non-executive Directors:

Ms. Pan Wenjie (appointed on 23 December 2021)
Mr. Fang Bin (appointed on 31 December 2021)

Independent Non-executive Directors:

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

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

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

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

In accordance with Article 87 of the Articles, Mr. Wang Hongyang, Mr. Yin Yanwu, Ms. Pan Wenjie and Mr. Fang Bin, which were appointed by the Board as Directors, will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In addition, in accordance with Articles 120 and 121 of the Articles, Mr. Zhang Mingao, Mr. Chung Shui Ming Timpson and Mr. Law Cheuk Kin Stephen, being the Directors who have been longest in office since their last re-election, will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS OF SUBSIDIARIES

Other than certain Directors and senior management named in the section headed "Directors and Senior Management" as set out on pages 144 to 148 of this Annual Report, the names of persons who have served on the board of the subsidiaries of the Company during the financial year ended 31 December 2021 and up to the date of this Annual Report are available on the Company's website under the "Investor Relations" column.

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

As at 31 December 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (as defined by Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register of directors' and chief executives' interests and short positions of the Company required to be maintained under section 352 of the SFO were as follows:

1. Long position in shares of the Company:

NAME OF DIRECTORS	TOTAL	PERSONAL INTEREST	OTHER INTEREST	% OF TOTAL ISSUED SHARES
• Zhao Wei	417,134	–	417,134[1]	0.02%
• Zhang Mingao	208,567	–	208,567[1]	0.01%
• Wang Hongyang	166,854	–	166,854[1]	0.01%
• Chung Shui Ming Timpson	50,000	50,000	–	0.00%

Note:

(1) These interests in shares of the Company were held through an independently managed fund, of which the relevant Directors held certain non-voting, participating and redeemable shares.

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

NAME OF DIRECTOR	TOTAL	PERSONAL INTEREST	% OF TOTAL ISSUED SHARES
• Zhao Wei	10,000,000	10,000,000[1]	1.34%

Note:

(1) These underlying shares represented interests in share options granted by CALC to its director(s) pursuant to its Post-IPO Share Option Scheme.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined under the SFO) as recorded in the register of directors' and chief executives' interests and short positions of the Company.

MANAGEMENT'S SHAREHOLDING

As disclosed in the Company's announcement dated 31 October 2019, based on principles of voluntary participation and self-acceptance of risks, certain senior management members of the Group (including certain Executive Directors) have subscribed for the non-voting, participating and redeemable shares of an independently managed fund, which invests in shares of the Company. Voluntary purchase of the Company's shares by the senior management members of the Group via the fund makes their interest more aligned with the interest of the shareholders of the Company and reflects their confidence in and recognition of the Group's development and long-term investment value, as well as the Group's business position and prospect in the industry.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2021, the following persons were recorded in the register kept by the Company under section 336 of the SFO as having interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Position in Shares and Underlying Shares of the Company:

NAME OF SHAREHOLDERS	TOTAL	BENEFICIAL OWNER	INTEREST OF CONTROLLED CORPORATION	% OF TOTAL ISSUED SHARES
Central Huijin Investment Ltd. ("Huijin")[1]	838,306,207	–	838,306,207	49.74%
China Everbright Group Ltd. ("Everbright Group")[2]	838,306,207	–	838,306,207	49.74%
CITIC Group Corporation[3]	152,088,000	–	152,088,000	9.02%
CITIC Limited[3]	152,088,000	–	152,088,000	9.02%
Prudential plc[3]	152,088,000	–	152,088,000	9.02%
CITIC-Prudential Life Insurance Company Limited[3]	152,088,000	152,088,000	–	9.02%

Notes:

(1) Huijin was indirectly wholly-owned by the State Council of the People's Republic of China and held 63.16% equity interest in Everbright Group. It was deemed to be interested in the 838,306,207 ordinary shares indirectly held by Everbright Group pursuant to the SFO.

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

(3) CITIC-Prudential Life Insurance Company Limited was indirectly owned as to 50% by each of CITIC Limited and Prudential plc. CITIC Limited was in turn indirectly owned as to 58.13% by CITIC Group Corporation. Accordingly, each of CITIC Group Corporation, CITIC Limited and Prudential plc was deemed to be interested in the 152,088,000 ordinary shares held by CITIC Prudential Life Insurance Company Limited pursuant to the SFO.

Save as disclosed above, as at 31 December 2021, the Company had not been notified of any other person (other than the Directors or chief executives of the Company) having any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

PERMITTED INDEMNITY PROVISION

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

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

COMPETING INTEREST

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

CORPORATE GOVERNANCE

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

Further details are set out in the "Corporate Governance Report" in this Annual Report.

AUDIT AND RISK MANAGEMENT COMMITTEE

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

The Audit and Risk Management Committee and the Management have reviewed the accounting policies and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements of the Group for the year ended 31 December 2021. The terms of reference of the Audit and Risk Management Committee and a summary of the duties discharged in 2021 have been set out in the "Corporate Governance Report" in this Annual Report.

RETIREMENT SCHEMES

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

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

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

The Group's total contributions to these schemes charged to the consolidated statement of profit or loss during the year ended 31 December 2021 amounted to approximately HK$3,062,000.

SUFFICIENCY OF PUBLIC FLOAT

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

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.30 per share for the year ended 31 December 2021 (2020: HK$0.35 per share). Together with the interim dividend of HK$0.28 per share already paid, the aggregate amount of dividends for the year is HK$0.58 per share (2020: HK$0.49 per share).

The final dividend, subject to approval at the forthcoming annual general meeting, is expected to be paid on Friday, 10 June 2022 to those shareholders whose names appear on the register of members of the Company on Monday, 30 May 2022.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Thursday, 19 May 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 May 2022 to Thursday, 19 May 2022, both days inclusive, during which no transfer of shares will be registered. Shareholders are reminded that, in order to qualify for attendance of the annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration at the Company's Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 13 May 2022.

The register of members of the Company will also be closed from Friday, 27 May 2022 to Monday, 30 May 2022, both days inclusive, during which no transfer of shares will be registered. Shareholders are reminded that, in order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration at the Company's Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 26 May 2022.

CHANGES OF DIRECTORS' INFORMATION

The changes of Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follows:

1. Mr. Yin Yanwu, an Executive Director, was appointed as the Vice President of the Group with effect from 17 March 2022.

2. Mr. Fang Bin, a Non-executive Director, was appointed as a member of the Environmental, Social and Governance Committee of the Board with effect from 17 March 2022.

3. Mr. Law Cheuk Kin, Stephen, an INED, was elected as a council member of the Hong Kong Institute of Certified Public Accountants in December 2021.

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

AUDITORS

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

There has been no change in auditors of the Company in any of the preceding three years.

By order of the Board
China Everbright Limited
Zhao Wei
Chairman
Hong Kong, 17 March 2022

DIRECTORS AND SENIOR MANAGEMENT

DIRECTOR

Dr. Zhao Wei

Chairman and Executive Director

Dr. Zhao Wei, aged 50, is the Chairman of the Board and an Executive Director. He is the Chairman of the Executive Committee and the Environmental, Social and Governance Committee, a member of the Strategy Committee of the Board, as well as a director of a number of subsidiaries of the Company. He is also the Chairman of the Management Decision Committee of the Group. He is responsible for the overall operation of the Group. Dr. Zhao is also the Chairman and an Executive Director of China Aircraft Leasing Group Holdings Limited (stock code: 1848.HK). Prior to joining the Group, Dr. Zhao was the Vice President and the Chief Financial Officer of China Reinsurance (Group) Corporation (stock code: 1508.HK) and a Director of Asian Reinsurance Corporation. Dr. Zhao also served in China Life Insurance (Group) Company and China Life Asset Management Company Limited, and served as the General Manager of China Life Asset Management (Hong Kong) Corporation Limited, the President of China Life Franklin Asset Management Co., Limited and the Vice President of New China Asset Management Corporation Limited. He was also the Vice Chairman and the General Manager of China Re Asset Management Company Ltd., the Chairman of China Re Asset Management (Hong Kong) Company Limited and the Chairman of China ReCapital Management Company Limited. Dr. Zhao was the Chairman of Everbright Jiabao Co., Ltd. (stock code: 600622.SH) from July 2019 to May 2020. He also served as a Non-executive Director of China Everbright Bank Company Limited (stock code: 601818.SH, 6818.HK) from February 2015 to July 2019 and Beijing Jingneng Clean Energy Co., Limited (stock code: 579.HK) from December 2016 to January 2019. Dr. Zhao obtained a Master's degree in National Economic Planning and Management from Jilin University and a Doctoral degree in Finance from the Fiscal Science Research Institute of the Ministry of Finance (now known as Chinese Academy of Fiscal Sciences). He joined the Board in May 2019.

Mr. Zhang Mingao

Executive Director and President

Mr. Zhang Mingao, aged 54, is an Executive Director and the President of the Group. He is also a member of the Executive Committee, the Strategy Committee and the Environmental, Social and Governance Committee of the Board, the Vice Chairman of the Management Decision Committee of the Group, as well as a director of a number of subsidiaries of the Company. Mr. Zhang is also the Chairman of Everbright Jiabao Co., Ltd. (stock code: 600622.SH) and a Non-executive and Non-independent Chairman of Ying Li International Real Estate Limited (stock code: 5DM.SGX). Mr. Zhang was the General Manager of Asset Management Department of China Everbright Bank Company Limited (stock code: 601818.SH, 6818.HK) ("Everbright Bank"). Since Mr. Zhang joined Everbright Bank in 1999, he had served as the Risk Director of Everbright Bank (Suzhou Branch), the Risk Director of SME Department of Everbright Bank (Headquarters) and the President of Everbright Bank (Wuxi Branch). Mr. Zhang holds a Bachelor's degree of Economics in rural financial professional from the College of Economics and Trade of Nanjing Agricultural University. He has over 30 years of industry and management experience in the financial industry. He joined the Board in December 2017.

Mr. Wang Hongyang

Executive Director and Vice President

Mr. Wang Hongyang, aged 44, is an Executive Director and the Vice President of the Group in charge of finance. He is also a member of the Executive Committee of the Board, a member of the Management Decision Committee of the Group, as well as a director of a number of subsidiaries of the Company. He joined the Group in 2016 and served as the Deputy Chief Financial Officer. Mr. Wang is a Supervisor of Everbright Securities Company Limited (stock code: 601788.SH, 6178.HK), a Non-executive Director of China Aircraft Leasing Group Holdings Limited (stock code: 1848.HK) and a Non-executive and Non-independent Director of Ying Li International Real Estate Limited (stock code: 5DM.SGX). Prior to joining the Group, Mr. Wang had worked in KPMG Huazhen for over 15 years and served as a partner. He holds a Bachelor's degree of Arts in English literature and a Certificate of Second Major in International Economics and Trade from Beijing Foreign Studies University. He is also a non-practicing member of the Chinese Institute of Certified Public Accountants and a member of the Institute of Internal Auditors. He joined the Board in December 2021.

Mr. Yin Yanwu

Executive Director and Vice President

Mr. Yin Yanwu, aged 48, is an Executive Director and the Vice President of the Group. He is in charge of the Group's risk management, legal and compliance matters. He is also a member of the Executive Committee of the Board, a member of the Management Decision Committee of the Group, as well as a director of a number of subsidiaries of the Company. He joined the Group in May 2021. Prior to that, Mr. Yin had served as a member of the Executive Committee and Business Director of China Galaxy Securities Co., Ltd. (stock code: 601881.SH, 6881.HK) and concurrently served as the Chairman of the Board, Director of the Executive Committee and Director of the Investment Decision Committee of Galaxy Jinhui Securities Assets Management Co., Ltd. He had also been responsible for job duties such as investment analysis and risk management in asset management firms, including China Investment Corporation and EARNEST Partners, LLC, etc., and had worked in the Economic Crime Investigation Bureau of the Ministry of Public Security of China. Mr. Yin holds a Master's degree of Science in quantitative & computational finance from the Georgia Institute of Technology in the United States, a Master's degree in Laws from Peking University and a Bachelor's degree of Engineering from Beijing University of Aeronautics and Astronautics. He was a member of the 2nd session of the Council and the Vice Chairman of the Financial Inclusion Cooperation Committee of the Asian Financial Cooperation Association, the Deputy Secretary-General of China Society for Finance and Banking, a standing member of the 2nd session of the Commission of All-China Financial System Youth Federation, a member of the International Development Committee of the Shanghai Stock Exchange as well as the Vice Chairman of the OTC Professional Committee and Beijing Asset Management Committee of the Securities Association of China. Mr. Yin holds the qualification of fund practitioners from the Asset Management Association of China. He joined the Board in December 2021.

Ms. Pan Wenjie

Non-executive Director

Ms. Pan Wenjie, aged 54, is a Non-executive Director. She is currently the Senior Expert of Investment and Restructuring Department of China Everbright Group Ltd. ("Everbright Group"), the controlling shareholder of the Company. Previously, she had served in the positions such as the Deputy Chief of Accounting Division of Planning & Finance Department, the Chief of Accounting Division of Financial Management Department and the Experienced Senior Deputy Manager cum Chief of Accounting Division of Financial Management Department of China Everbright Group Limited, as well as the Experienced Senior Deputy Manager, Experienced Senior Business Deputy Manager, Deputy General Manager of Financial Management Department and Deputy General Manager of Investment and Restructuring Department of Everbright Group. Ms. Pan is also currently a Supervisor of China CYTS Tours Holding Co., Ltd. (stock code: 600138.SH), a company controlled by Everbright Group. Ms. Pan has extensive experience and professional expertise in areas such as financial planning, financial management and investment and restructuring. Ms. Pan obtained a Master's degree in Economics from Central Institute of Finance and Banking (now known as Central University of Finance and Economics). She also holds the qualification of Senior Accountant in China. She joined the Board in December 2021.

Mr. Fang Bin

Non-executive Director

Mr. Fang Bin, aged 49, is a Non-executive Director. He is also a member of the Environmental, Social and Governance Committee of the Board. He is currently the Director of Investment and Management Department and the Head of Fund Utilization Department of CITIC-Prudential Life Insurance Co., Ltd. ("CITIC-Prudential"). Mr. Fang has over 20 years of experience in the financial industry and possesses rich management and regulatory experience in the fields of industry regulation, compliance review, risk management, investment management, macro asset allocation and corporate management, etc. Prior to joining CITIC-Prudential, Mr. Fang had served in various positions such as the Senior Investment Executive Director of China Insurance Investment Co., Ltd. and the Chief of Fund Supervision Division of Insurance Fund Investment Supervision Department of China Banking and Insurance Regulatory Commission. Mr. Fang obtained a Master's degree in Laws from the University of International Business and Economics. He also possesses the qualifications of lawyers and economists in China. He joined the Board in December 2021.

Dr. Lin Zhijun

Independent Non-executive Director

Dr. Lin Zhijun, aged 67, is an Independent Non-executive Director and the Chairman of the Nomination Committee and Remuneration Committee of the Board. He is also a member of the Audit and Risk Management Committee and Strategy Committee of the Board. Dr. Lin is a Vice President of Macau University of Science and Technology. During August 1998 to December 2014, he was a Professor and Head of the Department of Accountancy and Law in Hong Kong Baptist University. He is also an Independent Non-executive Director of Sinotruk (Hong Kong) Limited (stock code: 3808.HK), Dali Foods Group Company Limited (stock code: 3799.HK) and BOCOM International Holdings Company Limited (stock code: 3329.HK), all of which are listed on The Stock Exchange of Hong Kong Limited. Previously, Dr. Lin once served as an Independent Non-Executive Director of South Manganese Investment Limited (stock code: 1091.HK) and SpringLand International Limited (stock code: 1700.HK). Dr. Lin holds a Master's degree of Science in Accounting from University of Saskatchewan in Canada and a Doctoral degree in Economics (Accounting) from Xiamen University. Dr. Lin worked as a Visiting Professor in The University of Hong Kong and Tenured Professor in the Faculty of Management of Lethbridge University in Canada. He worked at the Toronto office of an international accounting firm (now known as "Deloitte"). Dr. Lin is also a member of the American Institute of Certified Public Accountants, the Chinese Institute of Certified Public Accountants and the Australian Institute of Certified Management Accountants. He is a member of various educational accounting associations. Dr. Lin is also an author of a series of professional articles and books. Dr. Lin joined the Board in September 2005.

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

Independent Non-executive Director

Dr. Chung Shui Ming, Timpson, GBS, JP, aged 70, is an Independent Non-executive Director and the Chairman of the Audit and Risk Management Committee of the Board. He is also a member of the Nomination Committee, the Remuneration Committee and the Strategy Committee of the Board. Dr. Chung is a member of the National Committee of the 13th Chinese People's Political Consultative Conference. He is also the Pro-Chancellor of City University of Hong Kong. Besides, Dr. Chung is an Independent Non-Executive Director of China Unicom (Hong Kong) Limited (stock code: 762.HK), Miramar Hotel and Investment Company, Limited (stock code: 71.HK), China Overseas Grand Oceans Group Limited (stock code: 81.HK), China Railway Group Limited (stock code: 601390.SH, 390.HK), Orient Overseas (International) Limited (stock code: 316.HK) and Postal Savings Bank of China Co., Ltd. (stock code: 1658.HK). Dr. Chung had served as an Independent Non-Executive Director of Henderson Land Development Company Limited (stock code: 12.HK), China Construction Bank Corporation (stock code: 939.HK), Jinmao (China) Hotel Investments and Management Limited (stock code: 6139.HK) and Glorious Sun Enterprises Limited (stock code: 393.HK) as well as an Independent Director of China State Construction Engineering Corporation Limited (stock code: 601668.SH). Previously, Dr. Chung was the Chairman of China Business of Jardine Fleming Holdings Limited and the Deputy Chief Executive Officer of BOC International Limited. He was also the Director-General of Democratic Alliance for the Betterment and Progress of Hong Kong, the Chairman of the Council of City University of Hong Kong, the Chairman of the Hong Kong Housing Society, a member of the Executive Council of the Hong Kong Special Administrative Region, the Vice Chairman of the Land Fund Advisory Committee of the Hong Kong Special Administrative Region, a member of the Managing Board of the Kowloon-Canton Railway Corporation, a member of the Hong Kong Housing Authority and a member of the Disaster Relief Fund Advisory Committee. Dr. Chung holds a Bachelor's degree of Science from The University of Hong Kong and a Master's degree in Business Administration from The Chinese University of Hong Kong. He also received an Honorary Doctoral degree in Social Sciences from City University of Hong Kong in 2010. Dr. Chung is a fellow member of the Hong Kong Institute of Certified Public Accountants. He joined the Board in August 2012.

Mr. Law Cheuk Kin Stephen

Independent Non-executive Director

Mr. Law Cheuk Kin, Stephen, aged 59, is an Independent Non-executive Director and the Chairman of the Strategy Committee of the Board. He is also a member of the Audit and Risk Management Committee, the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance Committee of the Board. Mr. Law is an Independent Non-executive Director of Somerley Capital Holdings Limited (stock code: 8439.HK), Bank of Guizhou Co., Ltd. (stock code: 6199.HK), China Galaxy Securities Co., Ltd. (stock code: 601881.SH, 6881.HK), CSPC Pharmaceutical Group Limited (stock code: 1093) and Keymed Biosciences Inc. (stock code: 2162.HK). Mr. Law served as the Finance Director and a member of the Executive Directorate of MTR Corporation Limited (stock code: 66.HK) ("MTR") from July 2013 to July 2016. Prior to joining MTR, he was the Chief Financial Officer of Guoco Group Limited, Hong Kong. Prior to that, Mr. Law had served as the Managing Director of TPG Growth Capital (Asia) Limited and had also held various senior positions in the Morningside Group and the Wheelock Group. He was also an Independent Non-Executive Director of Stealth BioTherapeutics Corp. (stock code: MITO.Nasdaq). Mr. Law is currently the Managing Director of ANS Capital Limited. He is also currently a council member of the Hong Kong Institute of Certified Public Accountants, a member of the Board of Directors of SOW (Asia) Foundation and a council member of Hong Kong Business Accountants Association. He also served as an adjunct professor of the Hong Kong Polytechnic University from 2015 to 2017. He is currently a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Besides, Mr. Law has been appointed by the Ministry of Finance of the People's Republic of China (the "MOF") as an expert consultant to provide advice on finance and management accounting to the MOF. Mr. Law holds a Bachelor's degree in Science (Civil Engineering) from the University of Birmingham, the United Kingdom and also received a Master's degree in Business Administration from the University of Hull, the United Kingdom. He joined the Board in May 2018.

SENIOR MANAGEMENT

Ms. Wong Tung Hung

Vice President

Ms. Wong Tung Hung, aged 53, is the Vice President and a member of Management Decision Committee of the Group, mainly responsible for management of human resources, cultural and social responsibility of the Group. She has extensive human resources and administration experience in both China and Hong Kong and has been working in the Group for more than 24 years. She holds a Bachelor's degree of Arts from Fudan University. Prior to joining the Group, Ms. Wong worked in several well-known mass media organisations in both China and Hong Kong.

Mr. So Hiu Pang Kevin

Vice President

Mr. So Hiu Pang Kevin, aged 46, is the Vice President and a member of the Management Decision Committee of the Group. He is responsible for the Group's strategic management, board office and secondary market asset management matters. Mr. So joined the Group in 2006. Prior to joining the Group, he was the head of the General Affairs Division of the Executive Committees Office in China Everbright Holdings Company Limited. Mr. So holds a Master's degree in Business Administration from the Hong Kong Polytechnic University and a Bachelor's degree in Economics from Xiamen University. He was also a member of the third, the fourth and the fifth Election Committee of Hong Kong Special Administrative Region and a member of the twelfth session of All-China Youth Federation. Mr. So has extensive knowledge and experience in the financial industry and management.

Dr. Cai Minnan

Vice President

Dr. Cai Minnan, aged 42, is the Vice President and a member of the Management Decision Committee of the Group. He is also a member of the Environmental, Social and Governance Committee of the Board. Dr. Cai joined Everbright Group in 2018 as Deputy Commissioner of Deepening Reform for the Office of the Leading Group for Comprehensive Deepening Reform. He worked in the State Council's Office of the Leading Group for Handling International Financial Crisis, the Second and the Fourth Secretary Bureau of the General Office of the State Council, engaging in national financial management and macro-economic control duties. He also worked in the Innovation Department and Policy Research Department at the China Banking Regulatory Commission, promoting financial innovation and cross-industry regulatory collaboration, as well as engaging in international financial regulatory reform and formulation of relevant regulatory rules. Dr. Cai holds a Master's degree in Accounting and Finance and a Doctorate in Finance from The University of Leeds.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of China Everbright Limited (the "Company") and its subsidiaries (the "Group") set out on pages 155 to 249, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (continued)

Key audit matters *Valuation of Level 3 financial investments*	How our audit addressed the key audit matters
Refer to significant accounting policies in note 2(ac), sources of estimation uncertainty in note 43(a)(i), and disclosures of fair values of financial instruments in note 40 to the financial statements. The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, which include significant unobservable inputs, involve management making subjective judgements and assumptions. With different valuation techniques, inputs and assumptions applied, the valuation results can vary significantly. As at 31 December 2021, the Group's financial assets measured at fair value, categorised within Level 3 of the fair value hierarchy, amounted to HK$47,684,571,000. Given the significant amount of financial assets measured at fair value and the corresponding level of judgement and assumptions involved in the valuations, we determined this to be a key audit matter.	The procedures we performed, on a sample basis, with the assistance of our inhouse valuation specialists, to address the key audit matter included, but were not limited to the following. Our risk-based samples were selected with reference to the value of investments, prevailing market conditions and investment specific risk indicators, with a specific focus on China real estate exposures. – Evaluated the appropriateness of the financial instrument valuation policies; – Evaluated the design and tested the operating effectiveness of key controls related to the valuation of financial instruments, including independent verification on the valuation parameters, independent model validation and approval; – Evaluated the valuation techniques adopted through comparison with those commonly used in the market; – Evaluated assessments made by the Group, with respect to the selection of comparable companies, adjustments to the valuation multiples and other parameters used in other valuation methods through independent study, research and back-testing; – Evaluated the observable inputs with reference to external market data; – Evaluated the unobservable inputs and assumptions for individually significant items such as the discount rate and volatility adopted by comparing to pricing information from similar transactions which were observable and performed an independent valuation; and – Assessed the completeness and adequacy of the disclosures relating to financial instruments in Level 3 of the fair value hierarchy in note 40 to the financial statements against the requirements of HKFRSs.

KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matters
Accounting for unconsolidated structured entities managed by the Group	
Refer to significant accounting policies in note 2(c), critical accounting judgements in applying the Group's accounting policies in note 43(b)(i), and disclosures of involvement with unconsolidated structured entities in note 38 to the financial statements. The Group acts as the general partner or investment manager of several structured entities (such as investment funds and collective investment schemes). In these arrangements, the Group has certain powers to govern the financing and operating policies of these entities. The Group is also exposed to the variability of returns from these structured entities' performance, through its entitlement to management fees, performance fees, and its interests in these entities. Whether the Group has control over these structured entities requires significant management judgement. Given the significant amount of unconsolidated structured entities managed by the Group and the corresponding level of judgement involved in assessing the Group's control over these structured entities, we determined this to be a key audit matter. As at 31 December 2021, the carrying value of the Group's interests in unconsolidated structured entities managed by the Group amounted to HK$12,267,259,000 which is recorded in financial assets at fair value through profit or loss in the consolidated statement of financial position.	The procedures we performed to address the key audit matter included, but were not limited to: – Reviewed the legal structures and read the relevant constituent documents of these structured entities to assess the power held by the Group in making key operating and financing decisions and its exposure to variable returns from these structured entities; – Evaluated the power held by other parties which allow the removal of the Group as the general partner or investment manager and assessed whether the rights held by other parties are substantive; – Identified if any substantive rights held by any other parties in the structured entities, in combination with the Group's decision-making power and its level of exposure to the variable returns, constituted control by the Group over these structured entities on a case-by-case basis; and – Assessed the completeness and adequacy of the disclosures relating to the unconsolidated structured entities in note 38 to the financial statements against the requirements of HKFRSs.

KEY AUDIT MATTERS (continued)

<table>
<tr><th>Key audit matters
Impairment of investment in an associate</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>Refer to significant accounting policies in note 2(d), 2(e) and 2(l)(ii), critical accounting judgements in applying the Group's accounting policies in note 43(b)(iii), and disclosures of investments in associates in note 16 to the financial statements.

As at 31 December 2021, the cumulative impairment allowance and net carrying value of the Group's investment in Everbright Jiabao Co., Ltd ("Jiabao Group"), an associate of the Group, amounted to HK$578,000,000 and HK$3,919,473,000 respectively.

As at 31 December 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 engaged an external specialist to estimate the value-in-use of Jiabao Group, using a discounted cash flow model. In carrying out the impairment assessment, significant judgement and assumptions are required to estimate the value-in-use based on the forecasted cash flows of Jiabao Group and the discount rate applied.

Given the significant amount of investment in Jiabao Group and the corresponding level of judgement and assumptions involved in calculating the value-in-use, we determined the impairment assessment of investment in Jiabao Group to be a key audit matter.</td><td>The procedures we performed, with the assistance of our inhouse valuation specialists, to address the key audit matter included, but were not limited to:

– Assessed the competence, capabilities and objectivity of the external specialist appointed by management to estimate the value-in-use;

– Understood and challenged the assumptions in the strategic business plans approved by the management of the associate, including back-testing of the prospective financial information used in the prior year against actual results to evaluate the accuracy of management's forecasting process;

– Reviewed the appropriateness of the valuation methodology by critically assessing the key assumptions, including the discount rates and growth rates, with reference to market information and the associate's historical data;

– Performed a sensitivity analysis on the results of impairment assessment using multiple reasonable alternative assumptions;

– Checked the arithmetical accuracy of the value-in-use calculation; and

– Assessed the completeness and adequacy of disclosures relating to the impairment of investment in the associate in note 16 to the financial statements against the requirements of HKFRSs.</td></tr>
</table>

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Hau Liang Ping.

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place,
979 King's Road,
Quarry Bay, Hong Kong

17 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Turnover	4	21,785,133	22,682,402
Income from contracts with customers	4	659,392	540,419
Income from investments	4	4,314,022	4,337,695
Income from other sources	4	(276,533)	108,143
Impairment losses	5	(440,390)	(193,000)
Operating expenses	6	(1,066,826)	(1,132,230)
Profit from operations		3,189,665	3,661,027
Finance costs	7	(937,446)	(1,062,091)
Share of profits less losses of associates	16	1,229,097	563,020
Share of profits less losses of joint ventures	17	59,237	43,300
Profit before taxation		3,540,553	3,205,256
Income tax	9	(768,186)	(948,118)
Profit for the year		2,772,367	2,257,138
Attributable to:			
Equity shareholders of the Company		2,572,840	2,264,175
Holders of senior perpetual capital securities	32	88,585	15,736
Non-controlling interests		110,942	(22,773)
Profit for the year		2,772,367	2,257,138
Basic and diluted earnings per share	13	HK$1.527	HK$1.344

The notes on pages 161 to 249 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Profit for the year		2,772,367	2,257,138
Other comprehensive income for the year:			
Items that will not be reclassified subsequently to profit or loss			
– Net movement in investment revaluation reserve of equity investments designated at fair value through other comprehensive income		(1,069,617)	(286,780)
Items that may be reclassified subsequently to profit or loss			
– Share of other comprehensive income and effect of foreign currency translation of associates		468,683	893,234
– Share of other comprehensive income and effect of foreign currency translation of joint ventures		29,091	69,506
– Other net movement in exchange reserve		444,002	986,068
	12	(127,841)	1,662,028
Total comprehensive income for the year		2,644,526	3,919,166
Attributable to:			
Equity shareholders of the Company		2,555,676	4,009,362
Holders of senior perpetual capital securities	32	88,585	15,736
Non-controlling interests		265	(105,932)
Total comprehensive income for the year		2,644,526	3,919,166

The notes on pages 161 to 249 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	31 December 2021 HK$'000	31 December 2020 HK$'000
Non-current assets			
Property, plant and equipment	14	597,542	599,783
Investment properties	14	5,352,758	5,547,897
Investments in associates	16	20,418,441	19,235,318
Investments in joint ventures	17	1,061,340	1,045,747
Equity investments designated at fair value through other comprehensive income	18	6,386,344	7,455,961
Financial assets at fair value through profit or loss	19	45,932,860	40,869,046
Advances to customers	20	454,178	34,297
Finance lease receivables		41,701	59,408
		80,245,164	74,847,457
Current assets			
Financial assets at fair value through profit or loss	19	4,101,670	3,064,010
Advances to customers	20	2,957,788	2,140,516
Inventories	21	1,742,448	1,733,681
Debtors, deposits, prepayments and others	22	2,339,669	2,712,276
Trading securities	23	3,251,394	3,177,475
Cash and cash equivalents	24	7,155,428	9,299,385
		21,548,397	22,127,343
Current liabilities			
Trading securities	23	(454,660)	(666,014)
Creditors, deposits received and accrued charges	25	(3,237,957)	(3,385,568)
Bank loans	26	(9,970,601)	(9,493,274)
Bonds payable	28	(5,698,905)	(4,946,410)
Other financial liabilities	27	(171,818)	(736,440)
Notes payable		(27,000)	–
Lease liabilities	30	(39,202)	(32,027)
Provision for taxation		(693,348)	(926,832)
		(20,293,491)	(20,186,565)
Net current assets		1,254,906	1,940,778
Total assets less current liabilities		81,500,070	76,788,235

	Note	31 December 2021 HK$'000	31 December 2020 HK$'000
Non-current liabilities			
Bank loans	26	(11,895,755)	(9,415,374)
Bonds payable	28	(7,338,540)	(7,723,040)
Other financial liabilities	27	(7,800,959)	(7,448,750)
Notes payable		–	(27,000)
Lease liabilities	30	(53,173)	(73,802)
Deferred tax liabilities	29	(3,375,113)	(2,667,288)
		(30,463,540)	(27,355,254)
NET ASSETS		51,036,530	49,432,981
CAPITAL AND RESERVES			
Share capital	31	9,618,097	9,618,097
Reserves		37,318,228	35,818,920
Attributable to:			
Equity shareholders of the Company		46,936,325	45,437,017
Holders of senior perpetual capital securities	32	2,341,161	2,341,276
Non-controlling interests		1,759,044	1,654,688
TOTAL EQUITY		51,036,530	49,432,981

Approved and authorised for issue by the Board of Directors on 17 March 2022 and signed on behalf of the Board by:

Zhao Wei
Director

Wang Hongyang
Director

The notes on pages 161 to 249 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Attributable to equity shareholders of the Company										
	Note	Share capital HK$'000	Option premium reserve HK$'000	Investment revaluation reserve HK$'000	Goodwill reserve HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Senior perpetual capital securities HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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		–	–	–	2,090	230,104	–	–	232,194	–	(435,425)	(203,231)
Dividends paid	11	–	–	–	–	–	–	(623,544)	(623,544)	–	–	(623,544)
Issuance of senior perpetual capital securities	32	–	–	–	–	–	–	–	–	2,325,540	–	2,325,540
Share of capital reserve of an associate		–	–	–	–	227,680	–	–	227,680	–	–	227,680
Profit for the year		–	–	–	–	–	–	2,264,175	2,264,175	15,736	(22,773)	2,257,138
Other comprehensive income for the year		–	–	(286,780)	–	–	2,031,967	–	1,745,187	–	(83,159)	1,662,028
As at 31 December 2020 and 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		–	–	–	1,617	(15,426)	–	–	(13,809)	–	104,091	90,282
Dividends paid	11	–	–	–	–	–	–	(1,061,710)	(1,061,710)	–	–	(1,061,710)
Distribution to holders of senior perpetual capital securities	32	–	–	–	–	–	–	–	–	(88,700)	–	(88,700)
Share of capital reserve of associates		–	–	–	–	19,151	–	–	19,151	–	–	19,151
Profit for the year		–	–	–	–	–	–	2,572,840	2,572,840	88,585	110,942	2,772,367
Other comprehensive income for the year		–	–	(1,069,617)	–	–	1,052,453	–	(17,164)	–	(110,677)	(127,841)
As at 31 December 2021		9,618,097	1,242	4,979,155	(664,792)	(96,162)	2,145,494	30,953,291	46,936,325	2,341,161	1,759,044	51,036,530

The notes on pages 161 to 249 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	41(a)	(3,505,426)	63,107
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,947)	(17,578)
Proceeds from disposal of investment properties		6,345	19,045
Proceeds from disposal of property, plant and equipment		422	594
Net cash (outflow)/inflow from losing control of subsidiaries		(479,968)	15,142
Net repayment of loans from an associate		–	700,000
Proceeds from partial disposal of an associate		–	506,431
Investment in an associate		(1,585)	–
(Investment)/divestments in joint ventures		(6,320)	34,243
Decrease/(increase) in restricted cash		178,080	(16,431)
Bank interest received		113,418	91,782
Dividends received from investments		402,562	365,877
Dividends received from associates and joint ventures		273,404	133,518
NET CASH INFLOW FROM INVESTING ACTIVITIES		482,411	1,832,623
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING ACTIVITIES		(3,023,015)	1,895,730
FINANCING ACTIVITIES			
Issue of shares of subsidiaries to non-controlling shareholders		361,666	171,070
Redemption of non-controlling shareholders' shares		(130,565)	(283,459)
Proceeds from bank loans		21,859,223	31,042,977
Proceeds from issue of senior perpetual capital securities		–	2,325,540
Proceeds from issue of bonds		5,001,290	–
Repayment of bank loans		(18,999,232)	(31,309,021)
Repayment of bonds		(5,001,290)	–
Repayment of lease liabilities		(43,202)	(52,978)
Repayment of notes payable		–	(30,000)
Dividends paid to non-controlling shareholders		(89,821)	(89,318)
Dividends paid		(1,061,710)	(623,544)
Distribution to holders of senior perpetual capital securities		(88,700)	–
Interest paid		(883,472)	(1,073,356)
NET CASH INFLOW FROM FINANCING ACTIVITIES		924,187	77,911
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,098,828)	1,973,641
CASH AND CASH EQUIVALENTS			
Beginning of year		8,860,137	6,842,766
Exchange rate adjustments		132,951	43,730
End of year		6,894,260	8,860,137
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash – general accounts		7,155,428	9,299,385
Restricted cash		(261,168)	(439,248)
End of year	24	6,894,260	8,860,137

The notes on pages 161 to 249 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint ventures.

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

– investment properties (note 2(h)); and

– financial instruments classified as trading securities, financial assets at fair value through profit or loss, equity investments designated at fair value through other comprehensive income, financial liabilities at fair value through profit or loss and derivative financial instruments (notes 2(f) and 2(n)).

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

(c) Subsidiaries and non-controlling interests

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

(d) Associates and joint ventures

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates and joint ventures (continued)

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

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

(e) Goodwill

Goodwill represents the excess of:

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments and other financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below (note 2(u)).

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Equity investments designated at fair value through other comprehensive income

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

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

Financial assets at fair value through profit or loss

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Derecognition of financial assets

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

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

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

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

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

(h) Investment properties

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

Investment properties are stated at fair value at the end of the reporting period, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at the time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(u).

(i) Other property and equipment

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Depreciation

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

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

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

– Leasehold improvements	over the shorter of 5 years and the lease terms
– Furniture, fixtures and equipment	3 to 20 years
– Motor vehicles	5 years
– Right-of-use assets	over the shorter of the lease terms and the estimated useful lives

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

(k) Leased assets

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased assets (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office premises. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments, including the initial direct costs, and presented as a receivable at an amount equal to the net investment in the lease.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets

(i) Impairment of financial assets

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

Simplified approach

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

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. Depending on the nature of the financial instrument, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instrument is grouped based on similar credit risk characteristics. When making the assessment, the Group compares the risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(i) Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

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

(ii) Impairment of other assets

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

- Property, plant and equipment, including right-of-use assets (other than properties carried at revalued amount);
- Intangible assets;
- Investments in subsidiaries, associates and joint ventures in the Company's statement of financial position; and
- Goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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

Calculation of recoverable amount

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

Recognition of impairment losses

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

Reversals of impairment losses

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

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

(m) Accounts receivable and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(v)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(l)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial liabilities

(i) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

(ii) Derecognition of financial liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Inventories

Inventories are stated at specifically identified cost, including capitalised borrowing costs directly attributable to the development of the properties, exchange differences arising from foreign currency borrowings are capitalised to the extent that they are regarded as an adjustment to interest costs, aggregate cost of development, materials and supplies, wages and other direct expenses, less any allowance considered necessary by the directors.

Inventories are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(p) Cash and cash equivalents

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

(q) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Senior perpetual capital securities issued by the Company contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company; and the securities issued are non-derivative instruments that will be settled in the Company's own equity instruments, but include no contractual obligation for the Company to deliver a variable number of its own equity instruments. The Company classifies the securities issued as an equity instrument. Fees, commissions and other transaction costs of the securities issuance are deducted from equity. The dividends on the securities are recognised as profit distribution at the time of declaration.

(r) Employee benefits

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

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

(ii) Termination benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

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

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

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

(t) Provisions, contingent liabilities and onerous contracts

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

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

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition

Revenue from contracts with customers

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

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

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

Construction services

Revenue is recognised when the control over the residential and commercial projects has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the residential and commercial projects over time or at a point in time by determining if:

– its performance does not create an asset with an alternative use to the Group;

– the Group has an enforceable right to payment for performance completed to date.

The residential and commercial projects undertaken by the Group do not have an alternative use for the Group due to contractual restriction and the Group does not have an enforceable right to payment for performance completed to date. Accordingly, revenue is recognised only when the legal title passes to the buyer or when the equitable interest in the property vests with the buyer upon signing of the property handover notice by the buyer, whichever is earlier.

Revenue is measured at the transaction price agreed under the contract. Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in the which the circumstances that give rise to the revision become known by management.

Provision of consultancy and management services

Revenue from the provision of consultancy and management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition (continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(v) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets as described in note 2(l).

(w) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract.

(x) Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer if the goods or services to which the asset relates is recognised. Other contract costs are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating to the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(z) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(aa) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

(ab) Non-current assets and disposal group held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale. The relevant asset can be classified as current asset if it meets the criteria to be classified as held for sale.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ab) Non-current assets and disposal group held for sale and discontinued operations (continued)

(i) Non-current assets held for sale (continued)

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement of fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(ac) Fair value measurement

The Group measures its investment properties, trading securities, derivative financial instruments, financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ac) Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

(ad) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ae) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*

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

(a) 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 borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") and United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments 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 the above-mentioned practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met. Additional information about the transition and the associated risks is disclosed in note 39(f) to the financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) 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.

4. 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 year is as follows:

	2021 HK$'000	2020 HK$'000
Income from contracts with customers		
Recognised over time		
Management fee income	340,111	295,568
Net rental income from investment properties	184,224	148,531
Recognised at a point in time		
Consultancy fee and performance fee income	132,283	120,527
Sales of inventories	36,616	76,038
Cost of sales	(33,842)	(100,245)
	659,392	540,419
Income from investments		
Interest income		
Financial assets not at fair value through profit or loss		
Bank deposits	113,418	91,782
Advances to customers	327,644	261,341
Debt investments	86,530	82,529
Dividend income		
Financial assets at fair value through profit or loss and trading securities	496,848	391,569
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	278,595	1,805,699
Net realised gain on trading securities	100,752	207,263
Unrealised gain/(loss) on investments		
Change of unrealised gain on financial assets at fair value through profit or loss	2,698,361	702,631
Change of unrealised (loss)/gain on trading securities	(217,360)	120,679
Others		
Realised gain on partial disposal of an associate	–	251,189
Gain on losing control of subsidiaries (note 41(b))	26,672	57,136
	4,314,022	4,337,695
Income from other sources		
Net loss on revaluation of investment properties	(382,979)	(23,675)
Rental income from finance leases	6,703	6,450
Gain on disposal of investment properties	4,540	7,175
(Loss)/gain on disposal of property, plant and equipment	(296)	140
Exchange differences, net	32,962	(5,318)
Others	62,537	123,371
	(276,533)	108,143

5. IMPAIRMENT LOSSES

	2021 HK$'000	2020 HK$'000
Impairment losses on:		
– Investment in an associate (note 16(a))	400,000	178,000
– Advances to customers	23,190	15,000
– Finance lease receivables	17,200	–
	440,390	193,000

6. OPERATING EXPENSES

	2021 HK$'000	2020 HK$'000
Depreciation and amortisation expenses	67,220	80,989
Lease payments not included in the measurement of lease liabilities	4,523	4,082
Auditor's remuneration	16,615	15,680
Management fee, consultancy fee, advisor fee and performance fee	82,445	210,503
Office expenses	37,971	43,101
Bank charges	25,477	31,980
Employee expenses (wages, bonuses and allowances)	492,117	377,771
Legal and professional fee	46,939	107,800
Other operating expenses	293,519	260,324
	1,066,826	1,132,230

7. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank loans and other borrowings	937,446	1,062,091

The effective interest rate of bank loans and other borrowings was approximately 2.73% (2020: 3.32%) per annum during the year ended 31 December 2021.

8. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments:

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

For the year ended 31 December 2021

	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	2021 Total HK$'000
Executive directors					
Zhao Wei	–	3,480	2,140	64	5,684
Zhang Mingao	–	2,463	1,658	64	4,185
Wang Hongyang (note 1)	–	–	–	–	–
Yin Yanwu (note 2)	–	–	–	–	–
Tang Chi Chun, Richard (note 3)	–	2,432	550	18	3,000
Yin Lianchen (note 4)	–	1,286	–	38	1,324
Non-executive directors					
Pan Wenjie (note 5)	–	–	–	–	–
Fang Bin (note 6)	–	–	–	–	–
Independent non-executive directors					
Chung Shui Ming, Timpson	200	399	–	–	599
Lin Zhijun	200	371	–	–	571
Law Cheuk Kin, Stephen	200	378	–	–	578
	600	10,809	4,348	184	15,941

Note:

1. Mr. Wang Hongyang was appointed as an Executive Director with effect from 31 December 2021.
2. Mr. Yin Yanwu was appointed as an Executive Director with effect from 31 December 2021.
3. Mr. Tang Chi Chun Richard resigned as an Executive Director with effect from 1 December 2021.
4. Mr. Yin Lianchen resigned as an Executive Director with effect from 5 August 2021.
5. Ms. Pan Wenjie was appointed as a Non-executive Director with effect from 23 December 2021.
6. Mr. Fang Bin was appointed as a Non-executive Director with effect from 31 December 2021.
7. The discretionary bonuses to the directors of the Group amounted to HK$4,348,000, of which HK$617,000 was derived from an associate.

8. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (continued)

(a) Directors' emoluments: (continued)

For the year ended 31 December 2020

	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	2020 Total HK$'000
Executive directors					
Cai Yunge (note 1)	–	–	–	–	–
Zhao Wei	–	3,480	2,299	4	5,783
Zhang Mingao	–	2,052	2,099	81	4,232
Tang Chi Chun, Richard	–	2,450	2,341	18	4,809
Yin Lianchen	–	2,098	1,591	4	3,693
Independent non-executive directors					
Chung Shui Ming, Timpson	200	352	–	–	552
Lin Zhijun	200	324	–	–	524
Law Cheuk Kin, Stephen	200	324	–	–	524
	600	11,080	8,330	107	20,117

Note:

1. Dr. Cai Yunge resigned as an Executive Director with effect from 25 September 2020.

2. The discretionary bonuses to the directors of the Group amounted to HK$8,330,000, of which HK$772,000 was derived from an associate.

8. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS
(continued)

(b) Five highest paid individuals' emoluments

	2021 HK$'000	2020 HK$'000
Salaries and other emoluments	11,918	12,067
Bonuses	17,567	11,085
Retirement scheme contributions	183	306
	29,668	23,458

	2021	2020
Number of directors	1	3
Number of employees	4	2
	5	5

Their emoluments were within the following bands:

	Number of individuals	
	2021	2020
HK$4,000,001 to HK$4,500,000	–	2
HK$4,500,001 to HK$5,000,000	1	2
HK$5,500,001 to HK$6,000,000	2	1
HK$6,000,001 to HK$6,500,000	1	–
HK$7,000,001 to HK$7,500,000	1	–
	5	5

During the year, no emoluments were paid to the five highest paid individuals (including directors and employees) as an inducement to join the Group or as compensation for loss of office (2020: Nil).

Bonus payment is determined pursuant to the incentive schemes and relevant policies of the Group.

9. INCOME TAX

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

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

	2021 HK$'000	2020 HK$'000
Current taxation		
– Hong Kong profits tax	41,880	148,290
– Overseas taxation	182,310	403,174
– Overprovision in prior years	(113,182)	(5,175)
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	657,178	401,829
Income tax	768,186	948,118

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

	2021 HK$'000	2020 HK$'000
Profit before taxation	3,540,553	3,205,256
Calculated at the rates applicable to profits in the tax jurisdictions concerned	654,567	619,213
Tax effect of income not subject to taxation	(1,057,732)	(504,427)
Tax effect of expenses not deductible for taxation purposes	1,252,992	651,771
Tax effect of utilisation of previously unrecognised losses	(572)	(4,730)
Tax effect of tax losses and other deductible temporary differences not recognised	32,113	191,466
Overprovision of taxation in prior years	(113,182)	(5,175)
Income tax	768,186	948,118

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Net profit for the year of the Company attributable to equity shareholders of the Company of approximately HK$117,109,000 (2020: approximately HK$786,294,000) has been dealt with in the financial statements of the Company.

11. DIVIDENDS

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

	2021 HK$'000	2020 HK$'000
– Interim dividend declared and paid of HK$0.28 (2020: HK$0.14) per share	471,871	235,936
– Final dividend proposed after the end of the reporting period date of HK$0.30 (2020: HK$0.35) per share	505,576	589,839
	977,447	825,775

The Board proposed a final dividend of HK$0.30 per share for the year ended 31 December 2021 (2020: HK$0.35 per share). The proposed final dividend is not reflected as dividend payable in the financial statements.

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

	2021 HK$'000	2020 HK$'000
– Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.35 (2020: HK$0.23) per share	589,839	387,608

12. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2021			2020		
	Before tax amount HK$'000	Tax credit HK$'000	Net of tax amount HK$'000	Before tax amount HK$'000	Tax credit HK$'000	Net of tax amount HK$'000
Net movement in investment revaluation reserve of equity investments designated at fair value through other comprehensive income	(1,069,617)	–	(1,069,617)	(286,780)	–	(286,780)
Share of other comprehensive income and effect of foreign currency translation of associates	468,683	–	468,683	893,234	–	893,234
Share of other comprehensive income and effect of foreign currency translation of joint ventures	29,091	–	29,091	69,506	–	69,506
Other net movement in exchange reserve	444,002	–	444,002	986,068	–	986,068
	(127,841)	–	(127,841)	1,662,028	–	1,662,028

13. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the year ended 31 December 2021 is based on the profit attributable to equity shareholders of the Company of HK$2,572,840,000 (2020: HK$2,264,175,000) and the weighted average number of 1,685,253,712 shares (2020: 1,685,253,712 shares) in issue during the year.

14. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

	Interests in leasehold land held for own use under operating leases HK$'000	Buildings held for own use carried at cost HK$'000	Leasehold improvements HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Other properties leased for own use HK$'000	Total HK$'000	Investment properties HK$'000
Cost or valuation:							
As at 1 January 2020	483,571	61,854	92,454	90,098	173,643	901,620	5,190,773
Additions	–	–	6,923	8,495	18,473	33,891	72,043
Disposals	–	–	–	(8,958)	(6,891)	(15,849)	(11,870)
Net loss on revaluation	–	–	–	–	–	–	(23,675)
Exchange adjustments	15,143	–	360	1,417	6,735	23,655	320,626
As at 31 December 2020	498,714	61,854	99,737	91,052	191,960	943,317	5,547,897
Representing:							
Cost	498,714	61,854	99,737	91,052	191,960	943,317	–
Professional valuation	–	–	–	–	–	–	5,547,897
	498,714	61,854	99,737	91,052	191,960	943,317	5,547,897
Cost or valuation:							
At 1 January 2021	498,714	61,854	99,737	91,052	191,960	943,317	5,547,897
Additions	–	–	997	3,772	23,714	28,483	60,778
Disposals	–	–	–	(3,789)	(544)	(4,333)	(1,805)
Net loss on revaluation	–	–	–	–	–	–	(382,979)
Reclassification	–	–	23,565	–	–	23,565	(23,565)
Exchange adjustments	7,366	–	–	1,016	3,334	11,716	152,432
As at 31 December 2021	506,080	61,854	124,299	92,051	218,464	1,002,748	5,352,758
Representing:							
Cost	506,080	61,854	124,299	92,051	218,464	1,002,748	–
Professional valuation	–	–	–	–	–	–	5,352,758
	506,080	61,854	124,299	92,051	218,464	1,002,748	5,352,758

14. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

(continued)

(a) Reconciliation of carrying amount (continued)

	Interests in leasehold land held for own use under operating leases HK$'000	Buildings held for own use carried at cost HK$'000	Leasehold improvements HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Other properties leased for own use HK$'000	Total HK$'000	Investment properties HK$'000
Accumulated depreciation:							
As at 1 January 2020	113,713	18,666	31,151	69,901	44,069	277,500	–
Charge for the year	7,753	580	6,230	16,017	50,409	80,989	–
Written back on disposal	–	–	–	(8,504)	(6,072)	(14,576)	–
Exchange adjustments	5,804	851	(1,855)	(8,098)	2,919	(379)	–
As at 31 December 2020	127,270	20,097	35,526	69,316	91,325	343,534	–
At 1 January 2021	127,270	20,097	35,526	69,316	91,325	343,534	–
Charge for the year	8,159	1,620	6,799	11,932	38,710	67,220	–
Written back on disposals	–	–	–	(3,071)	(542)	(3,613)	–
Exchange adjustments	3,117	(190)	(2,201)	(4,145)	1,484	(1,935)	–
As at 31 December 2021	138,546	21,527	40,124	74,032	130,977	405,206	–
Net book value:							
As at 31 December 2021	367,534	40,327	84,175	18,019	87,487	597,542	5,352,758
As at 31 December 2020	371,444	41,757	64,211	21,736	100,635	599,783	5,547,897

(b) The Group's interests in leasehold land and buildings and investment properties situated in Hong Kong and Mainland China were appraised as at 31 December 2021 by RHL Appraisal Limited, Cushman & Wakefield, Savills Real Estate Valuation (Guangzhou) Limited and Colliers International (Hong Kong) Limited, independent professional valuers who have, among their staff fellows of the Hong Kong Institute of Surveyors or the China Institute of Real Estate Appraisers and Agents, recent experience in the location and category of property being valued. These properties were appraised on an open market basis and investment properties are carried in the consolidated statement of financial position at market value.

As at 31 December 2021, had the Group's interests in leasehold land and buildings, which were carried at cost less accumulated depreciation, been carried at fair value, their carrying amount would have been HK$1,098,706,000 (2020: HK$1,103,826,000). Since such fair value is determined using significant unobservable inputs, it will be categorised as Level 3 under the fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*.

The fair value of the Group's interests in leasehold land and buildings in Hong Kong and Mainland China is determined using the direct comparison approach based on prices realised on actual sales and/or asking prices of comparable properties. The valuations take into account the characteristics of the properties which include the size, scale, nature, character and location. Premiums or discounts will be applied based on characteristics of the properties.

In the opinion of the Directors, the Group's existing use of its interest in leasehold land and buildings equates to the highest and best use of the assets.

14. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

(continued)

(b) (continued)

Investment properties of HK$4,984,895,000 (2020: HK$4,863,529,000) of the Group are rented out under operating leases; HK$323,374,000 (2020: HK$356,975,000) are under construction and will be rented out upon completion of the construction.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

During the years ended 31 December 2021 and 31 December 2020, the Group did not acquire any assets through business combination.

(c) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	2021 HK$'000	2020 HK$'000
Interests in leasehold land held for own use, carried at depreciated cost in Hong Kong, with remaining lease term of:	(i)		
– 50 years or more		235,851	238,026
		235,851	238,026
Interests in leasehold land held for own use, carried at depreciated cost outside Hong Kong, with remaining lease term of:	(i)		
– between 10 and 50 years		131,683	133,418
		131,683	133,418
Other properties leased for own use, carried at depreciated cost		87,487	100,635
		87,487	100,635
Interests in leasehold investment properties, at fair value in Hong Kong, with remaining lease term of:			
– 50 years or more		11,800	10,900
		11,800	10,900
Interests in leasehold investment properties, at fair value outside Hong Kong, with remaining lease term of:			
– between 10 and 50 years		5,340,958	5,536,997
		5,340,958	5,536,997

(i) Interests in leasehold land held for own use

The Group is the registered owner of these property interests. Lump sum payments were made upfront to acquire leasehold land from their previously registered owners, and no ongoing payments will be made under the terms of the land leases, other than payments based on rateable values set by the relevant government authorities.

14. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

(continued)

(d) Fair value measurement of properties

(i) Fair value hierarchy

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

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

		Fair value measurements categorised into		
	Fair value HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Investment properties:				
As at 31 December 2021	5,352,758	–	–	5,352,758
As at 31 December 2020	5,547,897	–	–	5,547,897

During the year ended 31 December 2021, there were no transfers into or out of Level 3 (2020: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

14. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (continued)

(d) Fair value measurement of properties (continued)

(ii) Information about Level 3 fair value measurements

	Valuation technique	Unobservable input	Range	Relationship of unobservable inputs to fair value
Investment properties – Hong Kong	Direct comparison approach	Premium (discount) on characteristic of the properties	-4% to 4% (2020: -4% to 3%)	The higher the premium, the higher the fair value.
Investment properties – Mainland China	Hypothetical development method	Value of property	-3.9% to 4.5% (2020: -4.7% to 5.3%)	The higher the value of property, the higher the fair value.
	Cost approach	Land price	-7.8% to 14.5% (2020: 0% to 5.97%)	The higher the land price, the higher the fair value.
	Direct comparison approach	Weighted average price per square meter	RMB5,900 to RMB24,100 (2020: RMB6,200 to RMB24,100)	The higher the weighted average price per square meter, the higher the fair value.
	Discounted cash flow method	Discount rate	6.0% to 6.7% (2020: 6.0% to 6.7%)	The higher the discount rate, the lower the fair value.
		Occupancy rate	64% to 100% (2020: 70% to 100%)	The higher the occupancy rate, the higher the fair value.
		Rental growth rate	3% to 8% (2020: 3% to 8%)	The higher the rental growth rate, the higher the fair value.

The fair value of investment properties in Hong Kong is determined using the direct comparison approach to value these properties in their respective existing states, and uses the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence. The valuations take into account the characteristics of the properties which included the location, size, shape, view, floor level, year of completion and other factors collectively.

The fair value of investment properties in Mainland China is determined by multiple approaches including hypothetical development method, cost approach, direct comparison approach and discounted cash flow method, and uses market basis assuming sale upon completion of construction by making reference to comparable sales evidence. The valuations take into account the estimated construction cost and characteristics of the properties which included the location, size, floor level, years to complete and other factors collectively. Higher premiums for properties with better characteristics will result in a higher fair value measurement.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2021 HK$'000	2020 HK$'000
Investment properties		
At 1 January	5,547,897	5,190,773
Additions	60,778	72,043
Disposal	(1,805)	(11,870)
Net loss on revaluation of investment properties	(382,979)	(23,675)
Reclassification	(23,565)	–
Exchange adjustments	152,432	320,626
At 31 December	5,352,758	5,547,897

Net loss on revaluation of investment properties is recognised as part of the "Income from other sources" (note 4) in the consolidated statement of profit or loss.

15. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of subsidiary	Place of incorporation/ operation	Class of shares	Particulars of issued and paid up capital/ registered capital	Percentage of equity interest held by the Company	Principal activities
CEL Venture Capital (Shenzhen) Limited	The PRC#	Not applicable	HK$5,170,000,000	100%	Provision of investment advisory services and investment
CEL Management Services Limited	Hong Kong	Ordinary	2 Shares HK$2	100%	Provision of management services
China Everbright Assets Management Limited	Hong Kong	Ordinary	5,000,000 Shares HK$5,000,000	100% [1]	Provision of asset management services
China Everbright Finance Limited	Hong Kong	Ordinary	100,000,000 Shares HK$100,000,000	100% [1]	Money lending
China Everbright Financial Investments Limited	Hong Kong	Ordinary	1,000,000 Shares HK$1,000,000	100%	Investment
China Everbright Industrial Investment Holdings Limited	Cayman Islands	Ordinary	10,000 Shares US$10,000	100%	Investment
China Everbright Investment Management Limited	Hong Kong	Ordinary	1,000,000 Shares HK$1,000,000	100%	Provision of investment management services
Fortunecrest Investment Limited	British Virgin Islands	Ordinary	1 Share US$1	100%	Property investment
Janco Development Limited	Hong Kong	Ordinary	2 Shares HK$2	100%	Property investment
光大匯益偉業投資管理(北京)有限公司	The PRC*	Not applicable	RMB125,300,000	100% [1]	Project investment

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares	Particulars of issued and paid up capital/ registered capital	Percentage of equity interest held by the Company	Principal activities
光大控股(江蘇)投資有限公司	The PRC[#]	Not applicable	US$100,000,000	100%	Investment
宜興光控投資有限公司	The PRC[*]	Not applicable	RMB3,100,000,000	100%[1]	Project investment
重慶光控股權投資管理有限公司	The PRC[*]	Not applicable	RMB100,000,000	100%[1]	Fund management
Everbright (Qingdao) Investment Co., Limited	The PRC[#]	Not applicable	US$160,000,000	100%	Investment
成都光控西部創業投資有限公司	The PRC[*]	Not applicable	RMB500,000,000	100%[1]	Investment
上海光控嘉鑫股權投資管理有限公司	The PRC[*]	Not applicable	RMB100,000,000	100%[1]	Fund management
光大控股(青島)融資租賃有限公司	The PRC[#]	Not applicable	US$50,000,000	100%[1]	Investment
上海光控股權投資管理有限公司	The PRC[*]	Not applicable	RMB1,835,000,000	100%[1]	Fund management
CEL Israel Holdings Limited	British Virgin Islands	Ordinary	1 Share US$1	100%[1]	Investment holding
China Everbright Global Investment Advisors Company Limited	Hong Kong	Ordinary	5,000,000 Shares HK$5,000,000	100%[1]	Provision of advisory services
Everbright Hero GP Limited	Cayman Islands	Ordinary	1 Share US$1	100%[1]	Fund management
Everbright Hero, L.P.	Cayman Islands	Not applicable	Not applicable	90.16%[1]	Investment
光控投資管理(上海)有限公司	The PRC[Δ]	Not applicable	RMB200,000,000	100%[1]	Provision of investment management services

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares	Particulars of issued and paid up capital/ registered capital	Percentage of equity interest held by the Company	Principal activities
光大融資租賃(上海)有限公司	The PRC[Δ]	Not applicable	US$50,000,000	100%[1]	Provision of leasing services
Neo Modern Limited	British Virgin Islands	Ordinary	1 Share US$1	100%[1]	Investment holding
Diamond Wealth Global Limited	British Virgin Islands	Ordinary	100 Shares US$100	100%[1]	Investment holding
Pioneer Act Investments Limited	British Virgin Islands	Ordinary	1 Share US$1	100%[1]	Investment holding
CEL Global Investment LP Limited	Cayman Islands	Ordinary	1 Share US$1	100%[1]	Investment holding
CEL Elite Limited	Hong Kong	Ordinary	1 Share HK$1	100%[1]	Treasury management
上海光控浦益股權投資管理有限公司	The PRC[*]	Not applicable	RMB310,000,000	100%[1]	Fund management
China Golden Opportunities Fund III, L.P.	Cayman Islands	Not applicable	Not applicable	75.09%[1]	Investment
CEL New Economy Fund, L.P.	Cayman Islands	Not applicable	Not applicable	64.84%[1]	Investment
湖南光控星宸股權投資合夥企業（有限合夥）	The PRC[◊]	Not applicable	RMB5,100,000,000	50.94%[1]	Investment

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares	Particulars of issued and paid up capital/ registered capital	Percentage of equity interest held by the Company	Principal activities
江蘇溧陽光控股權投資合夥企業（有限合夥）	The PRC◇	Not applicable	RMB2,000,000,000	49.91%[1]	Investment
贛州光控蘇區高質量發展產業投資基金（有限合夥）	The PRC◇	Not applicable	RMB2,500,000,000	33.31%[1]	Investment
廣州光控穗港澳青年創業股權投資合夥企業（有限合夥）	The PRC◇	Not applicable	RMB100,000,000	39.8%[1]	Investment

(1) Subsidiaries held indirectly.
Limited liability companies (wholly-foreign-owned enterprise) registered under PRC law.
Δ Limited liability companies (equity joint venture enterprise) registered under PRC law.
* Limited liability companies registered under PRC law.
◇ Limited partnership enterprises registered under PRC law.

The list of subsidiaries above included certain consolidated structured entities of which the Group has capital commitment of HK$4,848,150,000 (2020: HK$4,151,810,000) to provide capital to support the operating and investing activities. The Group has no intention and did not provide any other financial support to these consolidated structured entities during the year.

15. INVESTMENTS IN SUBSIDIARIES (continued)

Acquisition of non-controlling interests

During the year ended 31 December 2021, there was no material acquisition of non-controlling interests.

During the year ended 31 December 2020, the Group acquired an additional 35% interests in EBA Investments (Advisory) Limited, increasing its ownership from 65% to 100%.

	2020 HK$'000
Carrying amount of non-controlling interests acquired	380,130
Consideration paid to non-controlling interests	(149,733)
An increase in capital reserve	230,397

16. INVESTMENTS IN ASSOCIATES

(a) Investments in associates

	2021 HK$'000	2020 HK$'000
Carrying value, net (note)	20,418,441	19,235,318
Market value of shares listed in mainland China	19,100,996	22,891,427
Market value of shares listed in Hong Kong	1,621,149	1,790,413

Note:

As at 31 December 2021, the Group's net carrying value of its investment in Everbright Jiabao Co., Ltd ("Everbright Jiabao"), an associate of the Group, amounted to HK$3,919,473,000 (2020: HK$4,069,036,000).

As at 31 December 2021, there was an indication that the investment in Everbright Jiabao may be impaired as the carrying value of the net assets of Everbright Jiabao was more than its market capitalisation.

During the year ended 31 December 2021, the Group has engaged an external specialist to estimate the value-in-use of Everbright Jiabao using a discounted cash flow model. As at 31 December 2021, the recoverable amount of Everbright Jiabao was lower than the carrying value, hence, impairment loss on investment in an associate amounting to HK$400,000,000 (2020: HK$178,000,000) was recognised during the year ended 31 December 2021.

The pre-tax discount rates applied in the cash flow projection of different key business operations of Everbright Jiabao ranged from 7.9% to 12.3% (2020: 9% to 12%) and the perpetual growth rate was 2.2% (2020: 2.2%).

16. INVESTMENTS IN ASSOCIATES (continued)

(b) As at 31 December 2021, particulars of the principal investments in associates of the Group are as follows:

Name of associate	Place of incorporation/ operation	Principal activities	Percentage of equity interest held by the Company
Everbright Securities Company Limited# ("Everbright Securities")	The PRC	Securities operations (note 1)	20.83%
China Aircraft Leasing Group Holdings Limited## ("CALC")	Cayman Islands	Investment holding (note 2)	37.91%*
Everbright Jiabao###	The PRC	Real estate development/real estate asset management (note 3)	29.17%*
China Everbright Senior Healthcare Company Limited ("Everbright Senior Healthcare")	Hong Kong	Providing senior health care services (note 4)	49.29%* (note 5)

Market value of the listed shares in mainland China as at 31 December 2021 was equivalent to HK$17,538,832,000 (2020: HK$21,134,810,000).

Market value of the listed shares in Hong Kong as at 31 December 2021 was HK$1,621,149,000 (2020: HK$1,790,413,000).

Market value of the listed shares in mainland China as at 31 December 2021 was equivalent to HK$1,562,164,000 (2020: HK$1,756,617,000).

* Held indirectly

Note 1: Everbright Securities is the Group's cornerstone investment, with an investment cost of HK$1,504,118,000 (2020: HK$1,504,118,000).

Note 2: CALC is the Group's key investee engaged in providing full life-cycle aircraft leasing solutions. During the year, the Group's equity interest in CALC was increased from 37.11% to 37.91% as a result of CALC's share buy-back and scrip dividend received by the Group.

Note 3: Everbright Jiabao is the Group's major investee engaged in real estate development and asset management in mainland China.

Note 4: Everbright Senior Healthcare is the Group's key investee to provide integrated senior health care services including elderly health care, geriatric treatment, rehabilitation and community services in mainland China.

Note 5: As at 31 December 2021, the Group did not control the board of directors of Everbright Senior Healthcare. Upon the completion of the procedures of share subscription by an investor with investment amount of RMB50 million, the Group's equity interest in Everbright Senior Healthcare stands at 49.29%.

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

16. INVESTMENTS IN ASSOCIATES (continued)

(c) Supplementary financial information of the principal associates

Supplementary financial information in respect of an individually material associate extracted from its financial statements is as follows:

	Everbright Securities	
	2021 HK$'000	2020 HK$'000
Gross amounts of the associate		
Current assets	254,362,420	234,037,176
Non-current assets	38,305,283	38,159,121
Current liabilities	(166,411,713)	(172,311,744)
Non-current liabilities	(54,535,390)	(36,582,383)
Perpetual subordinated bonds	(6,118,846)	(2,380,000)
Non-controlling interests	(893,112)	(888,003)
Equity attributable to equity shareholders of the associate	64,708,642	60,034,167
Operating income	20,121,566	17,841,862
Profit from operations	4,291,561	2,773,483
Other comprehensive income	(149,733)	(140,214)
Total comprehensive income	4,141,828	2,633,269
Dividend received from the associate	184,968	39,562
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	64,708,642	60,034,167
Group's effective interest	20.83%	20.83%
Group's share of net assets of the associate	13,476,169	12,504,182
Carrying amount in the Group's consolidated financial statements	13,476,169	12,504,182

Aggregate information of the associates that are not individually material:

	2021 HK$'000	2020 HK$'000
Aggregate carrying amount of associates that are not individually material in the consolidated statement of financial position	6,942,272	6,731,136
Aggregate amounts of the Group's share of those associates:		
Profit/(loss) for the year	353,594	(1,095)
Other comprehensive income	197,682	148,833
Total comprehensive income	551,276	147,738

17. INVESTMENTS IN JOINT VENTURES

(a) Investments in joint ventures

	2021 HK$'000	2020 HK$'000
Carrying value, net	1,061,340	1,045,747

(b) As at 31 December 2021, details of the Group's principal investments in joint ventures are 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 (note 1)	50.0%*
山東高速光控產業投資基金管理有限公司	The PRC	Fund management services (note 2)	48.0%*
CEL Capital Prestige Asset Management Co., Ltd.	The PRC	Assets management services (note 3)	49.0%*

* Held indirectly

Note 1: Wuxi Ronghong Guolian Capital Co., Ltd. is a joint venture of the Group to provide investment advisory services to a joint venture fund in mainland China.

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

Note 3: CEL Capital Prestige Asset Management Co., Ltd. is a joint venture of the Group and an asset management institution established under approval of the China Securities Regulatory Commission.

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

17. INVESTMENTS IN JOINT VENTURES (continued)

(b) As at 31 December 2021, details of the Group's principal investments in joint ventures are as follows: (continued)

Aggregate information of joint ventures that are not individually material:

	2021 HK$'000	2020 HK$'000
Aggregate carrying amount of joint ventures that are not individually material in the consolidated statement of financial position	1,061,340	1,045,747
Aggregate amounts of the Group's share of those joint ventures:		
Profit for the year	59,237	43,300
Other comprehensive income	29,091	69,506
Total comprehensive income	88,328	112,806

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

	2021 HK$'000	2020 HK$'000
At fair value:		
Listed equity securities		
– outside Hong Kong	6,386,344	7,455,961

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. The investment cost of the Group's investment in China Everbright Bank is HK$1,407,189,000 (2020: HK$1,407,189,000).

No strategic investment was disposed of during the year ended 31 December 2021, and there were no transfers of any cumulative gain or loss within equity relating to this investment (2020: Nil).

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Non-current assets		
At fair value:		
Unlisted equity securities/collective investment schemes (i)*		
– outside Hong Kong	37,246,630	33,024,755
Unlisted preference shares (i)		
– outside Hong Kong	8,309,392	6,489,350
Unlisted debt securities (i)		
– outside Hong Kong	376,838	1,354,941
	45,932,860	40,869,046
Current assets		
At fair value:		
Listed equity securities		
– in Hong Kong	1,610,147	1,836,294
– outside Hong Kong	872,722	1,227,716
Unlisted equity securities/collective investment schemes (i)*		
– outside Hong Kong	458,581	–
Unlisted debt securities (i)		
– outside Hong Kong	1,160,220	–
	4,101,670	3,064,010

(i) Classified as Level 3 in the fair value hierarchy (note 40).

* Included in the balance of unlisted equity securities/collective investment schemes are the Group's interests in unconsolidated structured entities amounting to HK$30,592,792,000 (2020: HK$26,896,583,000).

As at 31 December 2021, the Group's listed and unlisted equity securities amounting to a fair value of HK$34,677,673,000 (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.

In 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 consolidated statement of profit or loss at the beginning and the end of the year is as follows:

	2021 HK$'000	2020 HK$'000
As at 1 January	245,013	245,306
Released during the year	–	(14,150)
Exchange adjustment	6,938	13,857
As at 31 December	251,951	245,013

20. ADVANCES TO CUSTOMERS

	2021 HK$'000	2020 HK$'000
Non-current assets		
Term loans to customers		
– secured	454,289	–
– unsecured	–	34,297
	454,289	34,297
Current assets		
Term loans to customers		
– secured	1,346,521	1,820,137
– unsecured	1,949,342	635,375
	3,295,863	2,455,512
Total term loans to customers	3,750,152	2,489,809
Less: Impairment allowance	(338,186)	(314,996)
Net carrying value	3,411,966	2,174,813

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

Term loans to customers are categorised into the following internal credit risk grades:

The Group classifies the credit risk levels of term loans to customers into "Low" (credit risk in excellent condition), "Medium" (credit risk in normal condition), and "High" (credit risk in severe condition), based on the quality of loans. The credit risk level is used for the purpose of the Group's internal credit risk management.

"Low" refers to borrowers with excellent credit quality, or bridge loans with tenor less than 6 months. There is no sufficient reason to doubt the obligations to repay or there are no other behaviours breaching the debt contracts that would significantly impact on the repayment. "Medium" refers to borrowers who are currently meeting their repayment obligations and full repayment of interest and principal is not in doubt. "High" refers to borrowers who are vulnerable to non-payment according to the debt contract terms, or having significant impact on the repayment of debt according to contract terms. "Default" is triggered when a repayment obligation is in default; or borrowers are in the stage of filing of a bankruptcy petition or taking of similar action.

Analysis of the gross carrying amount by the Group's internal credit rating and year end classification are as follows:

As at 31 December 2021

Internal rating grade	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Medium	3,381,280	–	–	3,381,280
High	34,361	34,515	–	68,876
Default	–	–	299,996	299,996
	3,415,641	34,515	299,996	3,750,152

20. ADVANCES TO CUSTOMERS (continued)

As at 31 December 2020

Internal rating grade	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Medium	2,106,739	–	–	2,106,739
High	48,777	34,297	–	83,074
Default	–	–	299,996	299,996
	2,155,516	34,297	299,996	2,489,809

Analysis of the gross carrying amount and the corresponding impairment allowance are as follows:

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
As at 1 January 2020	2,925,539	–	299,996	3,225,535
New assets originated or purchased	1,789,314	–	–	1,789,314
Assets derecognised or repaid	(2,590,882)	–	–	(2,590,882)
Transfer from Stage 1 to Stage 2	(34,297)	34,297	–	–
Exchange difference	65,842	–	–	65,842
As at 31 December 2020 and 1 January 2021	2,155,516	34,297	299,996	2,489,809
New assets originated or purchased	2,734,297	–	–	2,734,297
Assets derecognised or repaid	(1,521,226)	–	–	(1,521,226)
Exchange difference	47,054	218	–	47,272
As at 31 December 2021	3,415,641	34,515	299,996	3,750,152

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 2020	–	–	299,996	299,996
Other changes (including new assets and derecognised assets)	8,442	6,558	–	15,000
As at 31 December 2020 and 1 January 2021	8,442	6,558	299,996	314,996
Other changes (including new assets and derecognised assets)	18,608	4,582	–	23,190
As at 31 December 2021	27,050	11,140	299,996	338,186

Except for the above impairment allowance of HK$338,186,000 (2020: HK$314,996,000), there were no other significant loans to customers, that were aged, requiring significant impairment provision as at 31 December 2021 and 2020.

21. INVENTORIES

	2021 HK$'000	2020 HK$'000
Properties under development	137,490	145,445
Completed properties for sale	1,604,958	1,588,236
	1,742,448	1,733,681

22. DEBTORS, DEPOSITS, PREPAYMENTS AND OTHERS

	2021 HK$'000	2020 HK$'000
Accounts receivable	722,069	745,341
Deposits, prepayments, interest and other receivables and others	1,702,323	2,051,658
	2,424,392	2,796,999
Less: Impairment allowance	(84,723)	(84,723)
	2,339,669	2,712,276

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 value as at 31 December 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 as at 31 December 2021 (2020: HK$84,723,000).

The 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 2020	–	–	84,723	84,723
Other changes (including new assets and derecognised assets)	–	–	–	–
As at 31 December 2021	–	–	84,723	84,723

There was no impairment allowance provided in 2021 and 2020.

23. TRADING SECURITIES

	2021 HK$'000	2020 HK$'000
Current assets		
At fair value:		
Listed equity securities		
– in Hong Kong	507,130	581,072
– outside Hong Kong	327,025	391,913
Listed debt securities		
– in Hong Kong	788,544	150,657
– outside Hong Kong	1,485,096	2,006,401
Unlisted debt securities	113,515	14,858
Derivatives		
– listed	1,484	586
– unlisted	28,600	31,988
	3,251,394	3,177,475
Current liabilities		
At fair value:		
Listed equity securities		
– in Hong Kong	(189,395)	(373,405)
– outside Hong Kong	(68,126)	(221,374)
Listed debt securities		
– in Hong Kong	(69,254)	–
– outside Hong Kong	(50,737)	(11,017)
Listed funds	(25,441)	–
Derivatives		
– unlisted	(51,707)	(60,218)
	(454,660)	(666,014)

24. CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash on hand, savings and current accounts	5,901,735	8,155,485
Fixed deposits with banks	1,253,693	1,143,900
Cash and cash equivalents in the consolidated statement of financial position	7,155,428	9,299,385
Less: Restricted cash	(261,168)	(439,248)
Cash and cash equivalents in the consolidated statement of cash flows	6,894,260	8,860,137

24. CASH AND CASH EQUIVALENTS (continued)

Restricted bank balances of HK$49,189,000 (31 December 2020: HK$65,726,000) were pledged to banks for sales of mortgaged properties to customers and interest reserve account on borrowings.

As at 31 December 2021, restricted bank balances of HK$211,979,000 were pledged to bonds payable.

As at 31 December 2020, restricted bank balances of HK$373,522,000 were pledged to banks to secure banking facilities and other borrowings granted to the Group. In which, HK$219,061,000 were pledged to bonds payable.

25. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2021 HK$'000	2020 HK$'000
Creditors, deposits received and accrued charges	3,237,957	3,385,568

26. BANK LOANS

	2021 HK$'000	2020 HK$'000
Repayment details are as follows:		
Within 1 year	9,970,601	9,493,274
1 to 2 years	3,733,448	1,876,622
2 to 5 years	7,527,834	6,753,086
Over 5 years	634,473	785,666
	21,866,356	18,908,648

As at 31 December 2021, the bank loans were secured as follows:

	2021 HK$'000	2020 HK$'000
Bank loans:		
– secured	2,850,000	3,648,872
– unsecured	19,016,356	15,259,776
	21,866,356	18,908,648

As at 31 December 2021, the bank loans were secured by:

(a) Mortgage over certain investment properties with carrying value of approximately HK$4,759 million (31 December 2020: approximately HK$4,645 million);

(b) Mortgage over certain property, plant and equipment with carrying value totalling approximately HK$23 million (31 December 2020: Nil);

(c) Mortgage over certain inventories with carrying value totalling approximately HK$438 million (31 December 2020: approximately HK$425 million);

(d) The pledge of equity interests in subsidiaries with carrying value of approximately HK$1,650 million (31 December 2020: approximately HK$1,527 million); and

(e) Bank balances pledged amounting to nil (31 December 2020: approximately HK$154 million).

27. OTHER FINANCIAL LIABILITIES

	Note	2021 HK$'000	2020 HK$'000
Current:			
Financial liabilities to third party investors	(a)	171,818	736,440
Non-current:			
Financial liabilities to third party investors	(a)	7,800,959	7,448,750

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

28. BONDS PAYABLE

	2021 HK$'000	2020 HK$'000
As at 1 January	12,669,450	11,917,865
New issuance during the year	5,001,290	–
Repayments during the year	(5,001,290)	–
Exchange adjustment	367,995	751,585
As at 31 December	13,037,445	12,669,450

	2021 HK$'000	2020 HK$'000
Repayment details are as follows:		
Within 1 year	5,698,905	4,946,410
1 to 2 years	2,446,180	5,346,720
2 to 5 years	4,892,360	2,376,320
	13,037,445	12,669,450

As at 31 December 2021, the bonds payable were secured as follows:

	2021 HK$'000	2020 HK$'000
Bonds payable:		
– secured	195,000	193,770
– unsecured	12,842,445	12,475,680
	13,037,445	12,669,450

As at 31 December 2021, the bonds payable were secured by bank balances pledged amounting to approximately HK$212 million (31 December 2020: approximately HK$219 million).

29. DEFERRED TAXATION

The movements in the deferred tax liabilities recognised in the consolidated statement of financial position are as follows:

	Fair value adjustment for financial assets at fair value through profit or loss and investment properties		Withholding tax on subsidiaries' and associates' profit		Total	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
At 1 January	(2,233,060)	(1,910,810)	(434,228)	(404,646)	(2,667,288)	(2,315,456)
Charged to profit or loss	(657,178)	(372,247)	–	(29,582)	(657,178)	(401,829)
Exchange adjustments	(50,647)	49,997	–	–	(50,647)	49,997
At 31 December	(2,940,885)	(2,233,060)	(434,228)	(434,228)	(3,375,113)	(2,667,288)

In accordance with the accounting policy set out in note 2(s), the Group has not recognised deferred tax assets, in respect of tax losses of approximately HK$3,309 million (2020: approximately HK$3,229 million), as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant entities. The tax losses do not expire under current tax legislation except for those incurred by entities registered in the PRC where tax losses can be carried forward for 5 years from the year in which such losses are incurred.

30. LEASE LIABILITIES

The Group as a lessee

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 HK$'000	2020 HK$'000
As at 1 January	105,829	131,799
Additions	23,423	18,474
Disposal of a subsidiary	(2)	(247)
Interest expense	3,800	4,604
Payments	(43,202)	(52,978)
Exchange adjustments	2,527	4,177
As at 31 December	92,375	105,829
Analysed into:		
Current portion	39,202	32,027
Non-current portion	53,173	73,802

31. SHARE CAPITAL

(a) Share capital

	2021 No. of shares ('000)	2021 HK$'000	2020 No. of shares ('000)	2020 HK$'000
Ordinary shares issued and fully paid:				
At 1 January and at 31 December	1,685,254	9,618,097	1,685,254	9,618,097

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

(b) Capital management

The Group's primary objectives in capital management are maximising shareholders' return, matching of business funding needs and maintaining the Group's ability to continue as a going concern. Management regularly, or as changes in circumstances warrant, reviews and manages the Group's capital structure so as to maintain a proper balance amongst shareholders' returns, leveraging and funding requirement.

Adjusted net debt is defined as total debt, which includes interest-bearing loans and borrowings, notes payable and bonds payable, plus unaccrued proposed dividends less cash and cash equivalents.

Adjusted capital comprises all components of equity, less unaccrued proposed dividends. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The adjusted net debt-to-capital ratio at 31 December 2021 and 2020 was as follows:

	2021 HK$'000	2020 HK$'000
Current liabilities		
Bank loans	9,970,601	9,493,274
Notes payable	27,000	–
Bonds payable	5,698,905	4,946,410
	15,696,506	14,439,684
Non-current liabilities		
Bank loans	11,895,755	9,415,374
Notes payable	–	27,000
Bonds payable	7,338,540	7,723,040
Total debt	34,930,801	31,605,098
Add: Proposed dividend	505,576	589,839
Less: Cash and cash equivalents	(6,894,260)	(8,860,137)
Adjusted net debt	28,542,117	23,334,800
Total equity	51,036,530	49,432,981
Less: Proposed dividend	(505,576)	(589,839)
Adjusted capital	50,530,954	48,843,142
Adjusted net debt-to-capital ratio	56%	48%

31. SHARE CAPITAL (continued)

(b) Capital management (continued)

As at 31 December 2021, the Group's liquidity remained healthy. The addition of financial resources is mainly attributable to fruitful returns, through divestments and dividends, from investments. During the year, the Group has also made ongoing investments over advances to customers, trading securities and financial assets at fair value through profit or loss. To enhance shareholders' returns, the Group continues to seek new investment opportunities while maintaining a healthy capital structure.

The Company is not subject to externally imposed capital requirements. Certain subsidiaries of the Company are subject to regulatory imposed capital and liquid capital requirements (see also note 39(b)). These subsidiaries have complied with those requirements at all time during both the current and prior financial years.

32. SENIOR PERPETUAL CAPITAL SECURITIES

	Principal HK$'000	Distribution HK$'000	Total HK$'000
As at 1 January 2020	–	–	–
Issuance of senior perpetual capital securities during the year	2,325,540	–	2,325,540
Profit attributable to holders of senior perpetual capital securities	–	15,736	15,736
As at 31 December 2020 and 1 January 2021	2,325,540	15,736	2,341,276
Profit attributable to holders of senior perpetual capital securities	–	88,585	88,585
Distribution to holders of senior perpetual capital securities	–	(88,700)	(88,700)
As at 31 December 2021	2,325,540	15,621	2,341,161

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 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.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	31 December 2021 HK$'000	31 December 2020 HK$'000
Non-current assets			
Investments in subsidiaries	15	8,659,931	7,264,282
Amounts due from subsidiaries		14,410,427	16,196,688
Investment in an associate		1,504,118	1,504,118
Investment in a joint venture		1,143	–
Equity investments designated at fair value through other comprehensive income		6,386,344	7,455,961
		30,961,963	32,421,049
Current assets			
Amounts due from subsidiaries		22,737,134	17,804,383
Debtors, deposits, prepayments and others		393,182	386,657
Cash and cash equivalents		932,236	1,146,038
		24,062,552	19,337,078
Current liabilities			
Amounts due to subsidiaries		(9,677,220)	(9,798,169)
Bank loans		(7,666,400)	(3,392,278)
Bonds payable		(5,503,905)	(4,752,640)
Creditors, deposits received and accrued charges		(195,466)	(171,124)
		(23,042,991)	(18,114,211)
Net current assets		1,019,561	1,222,867
Total assets less current liabilities		31,981,524	33,643,916
Non-current liabilities			
Bank loans		(4,308,600)	(3,600,920)
Bonds payable		(7,338,540)	(7,723,040)
Deferred tax liabilities		(294,102)	(265,341)
		(11,941,242)	(11,589,301)
NET ASSETS		20,040,282	22,054,615
CAPITAL AND RESERVES			
Share capital	31	9,618,097	9,618,097
Reserves	34	8,081,024	10,095,242
Senior perpetual capital securities	32	2,341,161	2,341,276
TOTAL EQUITY		20,040,282	22,054,615

Approved and authorised for issue by the Board of Directors on 17 March 2022 and signed on behalf of the Board by:

Zhao Wei
Director

Wang Hongyang
Director

34. RESERVES

(a) The movements in the Company's reserves during the year are as follows:

	Note	Share capital HK$'000	Investment revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 January 2020		9,618,097	6,335,552	3,883,720	19,837,369
Dividends paid	11	–	–	(623,544)	(623,544)
Profit for the year		–	–	786,294	786,294
Other comprehensive income for the year		–	(286,780)	–	(286,780)
As at 31 December 2020 and 1 January 2021		9,618,097	6,048,772	4,046,470	19,713,339
Dividends paid	11	–	–	(1,061,710)	(1,061,710)
Profit for the year		–	–	117,109	117,109
Other comprehensive income for the year		–	(1,069,617)	–	(1,069,617)
As at 31 December 2021		9,618,097	4,979,155	3,101,869	17,699,121

(b) Nature and purpose of reserves

(i) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of equity investments designated at fair value through other comprehensive income held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 2(f).

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investments in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(y).

(iii) Goodwill reserve

The goodwill reserve comprises goodwill on acquisitions that occurred prior to 1 January 2001. The reserve is dealt with in accordance with the accounting policies set out in note 2(e).

(iv) Capital reserve

The capital reserve comprises specific allocation of amounts transferred from retained earnings due to regulatory requirements. It also includes the share of statutory reserves of associates.

(v) Distributability of reserves

As at 31 December 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622), was HK$3,101,869,000 (2020: HK$4,046,470,000). After the end of the reporting period, the directors proposed a final dividend of HK$0.30 per share (2020: HK$0.35 per share), amounting to HK$505,576,000 (2020: HK$589,839,000) (note 11). This dividend has not been recognised as a liability at the end of the reporting period.

35. MATURITY PROFILE

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

As at 31 December 2021

	Indefinite HK$'000	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Assets							
– Advances to customers	–	–	1,696,158	1,261,630	454,178	–	3,411,966
– Trading securities	864,239	–	2,387,155	–	–	–	3,251,394
– Equity investments designated at fair value through other comprehensive income	6,386,344	–	–	–	–	–	6,386,344
– Financial assets at fair value through profit or loss	48,497,472	549,816	–	610,404	376,838	–	50,034,530
– Cash and cash equivalents	–	5,640,567	1,253,693	261,168	–	–	7,155,428
	55,748,055	6,190,383	5,337,006	2,133,202	831,016	–	70,239,662
Liabilities							
– Bank loans	–	–	(1,211,236)	(8,759,365)	(11,261,282)	(634,473)	(21,866,356)
– Other financial liabilities	–	–	(22,279)	(149,539)	(1,594,165)	(6,206,794)	(7,972,777)
– Trading securities	(334,669)	–	(119,991)	–	–	–	(454,660)
– Bonds payable	–	–	–	(5,698,905)	(7,338,540)	–	(13,037,445)
– Notes payable	–	(27,000)	–	–	–	–	(27,000)
– Lease liabilities	–	–	(10,143)	(29,059)	(53,173)	–	(92,375)
	(334,669)	(27,000)	(1,363,649)	(14,636,868)	(20,247,160)	(6,841,267)	(43,450,613)

As at 31 December 2020

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

36. MATERIAL RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	2021 HK$'000	2020 HK$'000
Management fee income from:		
– a joint venture	430	1,046
– associates exempted from applying the equity method and were recognised as financial assets at fair value through profit or loss	119,900	129,552
Consultancy and other service income from an associate*	952	881
Bank interest income from a fellow subsidiary/a related party bank	72,986	54,969
Dividend income from:		
– associates exempted from applying the equity method and were recognised as financial assets at fair value through profit or loss	71,625	54,747
– a fellow subsidiary/a related party bank	402,562	365,877
Brokerage services fee to a fellow subsidiary*	–	252
Bank loans interest expense to a fellow subsidiary/a related party bank	58,425	64,856
Consultancy fee to an associate/a related party bank*	16,862	23,735
Custodian services fee to a related bank*	973	918
Rental expense paid to a fellow subsidiary*	6,384	7,547
Technology service fee to a fellow subsidiary/a related party bank*	–	242
Remuneration of key management personnel (including the Company's directors):		
– short-term employee benefits	24,221	31,692
– retirement scheme contributions	446	348

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

36. MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

	2021 HK$'000	2020 HK$'000
Amounts due from associates (included in debtors, deposits, prepayments and others)	9,438	42,227
Bank deposits with a related party bank (including bank deposit in trust accounts)	2,815,406	4,664,783
Bank loans from a fellow subsidiary/a related party bank	(3,416,000)	(3,492,278)
Interests in collective investment schemes issued by an associate (included in financial assets at fair value through profit or loss)	4,614,443	3,342,834

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

Bank deposits and loans with a fellow subsidiary/a related party bank arising from the ordinary course of business for corporate financing. The loans are unsecured, interest-bearing, and have a maturity within 2 years.

Interest in collective investment schemes are issued on market terms by a joint-venture.

(c) Transactions with other PRC state-owned entities

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations ("State-owned Entities"). Transactions with other State-owned Entities include, but are not limited to: lending and deposit taking; insurance and redemption of bonds issued by other State-owned Entities; purchase, sale and leases of properties and other assets; and rendering and receiving of utilities and other services. Among the above, transactions on lending and deposit taking, leases of properties and receiving utilities are continuous throughout the year and were conducted in the ordinary course of business, while the remaining types of transactions happened occasionally.

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

(d) Certain related party transactions above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Directors' Report.

36. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(e) Loans to Directors

Loans to directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name of Director	Wang Hongyang HK$'000
Term of the loan	
– Loan amount	6,000
– Duration and repayment terms	Five (5) calendar years after the drawdown date and subject to repayment on demand
– Interest rate	Average amount of the actual external funding cost of commercial bank debt of the Company which are reviewed and adjusted in every six months until the repayment date
– Security	Shares
Balance of loan as at 1 January 2020, 31 December 2020 and 1 January 2021	–
Balance of loan as at 31 December 2021 (date of appointment as Executive Director of the Company)	6,145
Maximum amount outstanding during 2020	–
Maximum amount outstanding during 2021	6,145

There was no amount due but unpaid as at 31 December 2021. No provision has been made on the balance during the year.

37. COMMITMENTS

(a) Capital commitments

As at 31 December 2021, the Group had capital commitments as follows:

	2021 HK$'000	2020 HK$'000
Contracted but not provided for:		
– consolidated structured entities	4,848,150	4,151,810
– unconsolidated structured entities	6,119,230	5,404,149
– unlisted equity investments	290,548	307,971
	11,257,928	9,863,930

The above amounts included capital commitments to consolidated and unconsolidated structured entities as disclosed in note 15 and note 38 to the financial statements respectively.

37. COMMITMENTS (continued)

(b) As at 31 December 2021, the undiscounted lease payments receivable by the Group in the future periods under non-cancellable operating leases with its tenants are as follows:

	2021 HK$'000	2020 HK$'000
Within 1 year	179,341	175,254
After 1 year but within 2 years	152,358	137,403
After 2 years but within 3 years	122,948	108,655
After 3 years but within 4 years	105,250	84,897
After 4 years but within 5 years	85,588	76,447
After 5 years	188,050	151,380
	833,535	734,036

(c) Off-balance sheet exposure

The fair values and the contractual or notional amounts of the Group's trading derivatives outstanding at 31 December 2021 are detailed as follows:

	Fair value assets/(liabilities)		Contractual/ notional amounts	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Assets derivative contracts	30,084	32,574	1,156,323	1,093,051
Liabilities derivative contracts	(51,707)	(60,218)	2,356,986	2,158,756

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

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

38. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Group
Investment funds	To generate fees from managing assets on behalf of third party investors and to make investment returns from co-investing in the funds	• Management fees • Investments held in the form of limited partnership interest of the funds
Collective investment schemes	These vehicles are financed through the issue of units to investors	• Investments in units issued by the structured entity

As at 31 December 2021, the carrying value of interests held by the Group in unconsolidated structured entities amounted to HK$30,592,792,000 (2020: HK$26,896,583,000), which were recognised in financial assets at fair value through profit or loss in the consolidated statement of financial position.

As at 31 December 2021, the carrying values of interests held by the Group in unconsolidated structured entities managed by the Group and not managed by the Group were HK$12,267,259,000 (2020: HK$11,765,066,000) and HK$18,325,533,000 (2020: HK$15,131,517,000) respectively.

The maximum exposure to loss is the carrying value of the assets held.

Other than the invested and committed capital, the Group has no intention to provide financial or other support to the structured entities.

39. FINANCIAL INSTRUMENTS

Risk management is of fundamental importance to the business operation of the Group. The major types of risk inherent in the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The Group's risk management 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 executed by the Risk Management, Legal and Compliance Department and is led by the Vice President of the Group in charge of Risk Management, Legal and Compliance Department. This functional structure can assess, identify and document the Group's risk profile to ensure that the business units focus, control and systematically avoid potential risks in various business areas. The following is a brief description of the Group's approach in managing these risks.

39. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk

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

Credit risk management framework

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

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

The Vice President of the Group in charge of Risk Management, Legal and Compliance 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, Legal and Compliance 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 is approved by the Vice President of the Group in charge of Risk Management, Legal and Compliance Department and reported to Audit and Risk Management Committee quarterly.

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

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

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

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

39. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

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), 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 31 December 2021, ECL of unsecured financial assets is measured based on PD at a range of 0.16% to 57.58% and LGD at a range of 58% to 90%.

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 the "Best" scenario and "Worse" scenario, represent less likely outcomes which are more optimistic or more pessimistic compared to the "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.

Audit and Risk Management Committee is responsible for approving ECL methodology. Risk Management, Legal and Compliance 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 2021. While the pandemic remains volatile, the operating and financial situations of borrowers will continue to suffer from pressure. In response to the adverse impact and the uncertainty from the pandemic, the Group reviewed and updated the forward-looking macroeconomic factors used in ECL computation to reflect the uncertain economic outlook. The Group will closely monitor the situation brought by the COVID-19 pandemic on the economy.

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

39. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

		12-month ECLs	Lifetime ECLs			
	Note	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Advances to customers	20	3,415,641	34,515	299,996	–	3,750,152
Debtors and deposits						
– Normal*		1,162,513	–	–	722,069	1,884,582
– Doubtful*		–	3,633	84,723	–	88,356
Cash and cash equivalents						
– Not yet past due	24	7,155,428	–	–	–	7,155,428
Finance lease receivables		–	58,901	–	–	58,901
		11,733,582	97,049	384,719	722,069	12,937,419

As at 31 December 2020

		12-month ECLs	Lifetime ECLs			
	Note	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Advances to customers	20	2,155,516	34,297	299,996	–	2,489,809
Debtors and deposits						
– Normal*		1,553,110	–	–	745,341	2,298,451
– Doubtful*		–	5,074	84,723	–	89,797
Cash and cash equivalents						
– Not yet past due	24	9,299,385	–	–	–	9,299,385
Finance lease receivables		–	–	–	59,408	59,408
		13,008,011	39,371	384,719	804,749	14,236,850

The Group applies the general approach for impairment of financial assets except for impairment of accounts receivable (included in debtors and deposits), to which the simplified approach was applied.

* The credit quality of the financial assets included in debtors and deposits is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

39. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

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

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

The following table details the remaining contractual maturities on the reporting date of the Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2021				2020			
	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year HK$'000
Creditors, deposits received and accrued charges	3,237,957	3,237,957	3,237,957	–	3,385,568	3,385,568	3,385,568	–
Bank loans	21,866,356	23,055,820	10,340,916	12,714,904	18,908,648	20,433,340	9,740,205	10,693,135
Notes payable	27,000	27,945	27,945	–	27,000	28,890	945	27,945
Bonds payable	13,037,445	13,810,734	6,123,590	7,687,144	12,669,450	13,379,453	5,341,297	8,038,156
Trading securities	454,660	454,660	454,660	–	666,014	666,014	666,014	–
Other financial liabilities	7,972,777	7,972,777	171,818	7,800,959	8,185,190	8,185,190	736,440	7,448,750
Lease liabilities	92,375	97,629	42,129	55,500	105,829	114,221	35,603	78,618
	46,688,570	48,657,522	20,399,015	28,258,507	43,947,699	46,192,676	19,906,072	26,286,604

(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 and is monitored by the Risk Management, Legal and Compliance 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.

39. FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

In respect of interest-bearing financial assets and financial liabilities at variable interest rates, the following table indicates their effective interest rates at the end of the reporting period. It is estimated that as at 31 December 2021, a general increase/decrease of 0.5% in interest rates, with all other variables held constant, would have decreased/increased the Group's profit before tax, by HK$73,933,736/HK$90,807,250 (2020: decrease/increase of HK$41,318,974/HK$64,402,750 for increase/decrease of 0.5% in the interest rate).

The above increase or decrease in the interest rate represents management's assessment of a reasonable change in interest rates over the period until the end of the next reporting period. It is also assumed that all other variables remain constant. The analysis was performed on the same basis for 2020.

	2021 Effective interest rate	2021 HK$'000	2020 Effective interest rate	2020 HK$'000
Assets				
Advances to customers	10.8%	3,450,156	9.2%	2,189,813
Cash and cash equivalents	0.5%	7,155,428	0.4%	9,299,385
Total interest-bearing assets		10,605,584		11,489,198
Liabilities				
Bank loans	1.97%	21,866,356	2.34%	18,908,648
Total interest-bearing liabilities		21,866,356		18,908,648

(d) Currency risk

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

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

39. FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

As at the end of the reporting period, the Group's exposure to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate is shown in the table below:

	2021 In USD HK$'000	2021 In RMB HK$'000	2021 In SGD HK$'000	2020 In USD HK$'000	2020 In RMB HK$'000	2020 In SGD HK$'000
Equity investments designated at fair value through other comprehensive income	–	6,386,344	–	–	7,455,961	–
Financial assets at fair value through profit or loss	12,936,726	4,781,928	–	10,918,047	3,903,456	–
Advances to customers	580,790	–	–	681,049	–	–
Amounts due from subsidiaries	–	–	–	–	13,384,710	–
Debtors, deposits, prepayments and others	153,990	47,125	–	71,853	63,536	–
Trading securities	23,586	310,340	64,328	25,483	277,356	–
Cash and cash equivalents	418,665	364,608	112	1,484,868	147,074	154
Bank loans	(3,346,200)	(96,879)	(96,880)	(3,286,339)	(415,856)	(694,794)
Bonds payable	(195,000)	(12,842,445)	–	(193,770)	(12,475,680)	–
Other financial liabilities	(1,148,121)	(506,000)	–	(1,050,125)	(436,956)	–
Creditors, deposits received and accrued charges	(297,950)	(187,676)	–	(303,517)	(298,770)	–
Net exposure arising from recognised assets and liabilities	9,126,486	(1,742,655)	(32,440)	8,347,549	11,604,831	(694,640)

An analysis of the estimated material change in the Group's profit before tax and other components of consolidated equity in response to reasonably possible changes in the Renminbi's exchange rate to which the Group has significant exposure at the end of the reporting period is presented in the following table.

	2021 Increase/ (decrease) in exchange rates	2021 Effect on profit before tax HK$'000	2021 Effect on other components of equity HK$'000	2020 Increase/ (decrease) in exchange rates	2020 Effect on profit before tax HK$'000	2020 Effect on other components of equity HK$'000
Renminbi, RMB	1%	55,067	63,863	1%	41,489	74,560
	(1%)	(55,067)	(63,863)	(1%)	(41,489)	(74,560)

The above analysis assumes the change in the Renminbi's exchange rate had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk in existence at that date while all other variables remain constant. The stated changes also represent management's assessment of reasonably possible changes in exchange rates until the end of the next reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The Hong Kong dollar is pegged to the United States dollar and it is assumed that this situation will stay materially unaffected by any fluctuation of the United States dollar against other currencies. The analysis was performed on the same basis for 2020.

39. FINANCIAL INSTRUMENTS (continued)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (note 23), equity investments designated at fair value through other comprehensive income (note 18) and financial assets at fair value through profit or loss (note 19). 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, the Shenzhen Stock Exchange, Nasdaq and the New York 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, Legal and Compliance 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.

The following table shows the approximate changes in the Group's profit before tax (and retained earnings) in response to reasonable change in the value of the relevant listed and unlisted equity investments. The analysis was performed on the same basis for 2020:

	2021			2020		
	Increase/ (decrease) in equity price	Effect on profit before tax and retained profits HK$'000	Effect on other components of equity HK$'000	Increase/ (decrease) in equity price	Effect on profit before tax and retained profits HK$'000	Effect on other components of equity HK$'000
Listed equity investments	10%	303,406	638,634	10%	306,401	745,596
	(10%)	(303,406)	(638,634)	(10%)	(306,401)	(745,596)
Unlisted equity investments	5%	1,885,261	–	5%	1,651,238	–
	(5%)	(1,885,261)	–	(5%)	(1,651,238)	–

39. FINANCIAL INSTRUMENTS (continued)

(f) Interest rate benchmark reform

As at 31 December 2021, the Group had certain interest-bearing bank borrowings denominated in United States dollars. The interest rates of these instruments are based on the LIBOR with a tenor of one month or three months, which will cease to be published after 30 June 2023. Replacement of the benchmark rates of these instruments from LIBOR to an RFR has yet to commence but it is expected that there will be renegotiations of terms in the future. During the transition, the Group is exposed to the following risks:

- Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract
- Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group)
- The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

The information about financial instruments based on an interbank offered rate that has yet to transit to an alternative benchmark rate is as follows:

As at 31 December 2021

	Non-derivative financial liabilities – carrying value HK$'000
Interest-bearing bank and other borrowings – United States dollar LIBOR	3,346,200

As at 31 December 2020

	Non-derivative financial liabilities – carrying value HK$'000
Interest-bearing bank and other borrowings – United States dollar LIBOR	3,286,339

39. FINANCIAL INSTRUMENTS (continued)

(g) Offsetting financial assets and financial liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
As at 31 December 2021					
Trading securities	2,478,773	–	2,478,773	(387,840)	2,090,933
Debtors, deposits, prepayments and others	166,685	–	166,685	–	166,685
As at 31 December 2020					
Trading securities	2,233,946	–	2,233,946	(271,185)	1,962,761
Debtors, deposits, prepayments and others	125,750	–	125,750	–	125,750

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
As at 31 December 2021					
Trading securities	414,247	–	414,247	(387,840)	26,407
Creditors, deposits received and accrued charges	553,835	–	553,835	–	553,835
As at 31 December 2020					
Trading securities	298,180	–	298,180	(271,185)	26,995
Creditors, deposits received and accrued charges	833,298	–	833,298	–	833,298

39. FINANCIAL INSTRUMENTS (continued)

(g) Offsetting financial assets and financial liabilities (continued)

Reconciliation to the net amount of financial assets and financial liabilities presented in the consolidated statement of financial position

	Financial assets in scope of offsetting disclosures HK$'000	Carrying amounts in the consolidated statement of financial position HK$'000	Financial assets not in scope of offsetting disclosure HK$'000	Note
As at 31 December 2021				
Trading securities	2,478,773	3,251,394	772,621	23
Debtors, deposits, prepayments and others	166,685	2,339,669	2,172,984	22
As at 31 December 2020				
Trading securities	2,233,946	3,177,475	943,529	23
Debtors, deposits, prepayments and others	125,750	2,712,276	2,586,526	22

	Financial liabilities in scope of offsetting disclosures HK$'000	Carrying amounts in the consolidated statement of financial position HK$'000	Financial liabilities not in scope of offsetting disclosure HK$'000	Note
As at 31 December 2021				
Trading securities	414,247	454,660	40,413	23
Creditors, deposits received and accrued charges	553,835	3,237,957	2,684,122	25
As at 31 December 2020				
Trading securities	298,180	666,014	367,834	23
Creditors, deposits received and accrued charges	833,298	3,385,568	2,552,270	25

40. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The Group engages professional independent valuers to perform valuations of certain financial instruments, financial assets at fair value through profit or loss which are categorised into Level 3 of the fair value hierarchy. The professional valuer reports directly to the Vice President of the Group in charge of Finance, the Vice President of the Group in charge of Risk Management, Legal and Compliance 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 of the Group in charge of Finance, the Vice President of the Group in charge of Risk Management, Legal and Compliance and the Audit and Risk Management Committee. Discussion of the valuation process and results with the Vice President of the Group in charge of Finance 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 to ascertain the fair values of certain investments with underlying interests in real estate investments and some other private equity investments.

As at 31 December 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	6,386,344	–	–	6,386,344
Financial assets at fair value through profit or loss:				
– Listed equity securities	2,349,959	–	132,910	2,482,869
– Unlisted equity securities/collective investment schemes	–	–	37,705,211	37,705,211
– Unlisted preference shares	–	–	8,309,392	8,309,392
– Unlisted debt securities	–	–	1,537,058	1,537,058
	2,349,959	–	47,684,571	50,034,530
Trading securities:				
– Listed equity securities	834,155	–	–	834,155
– Listed debt securities	–	2,273,640	–	2,273,640
– Unlisted debt securities	–	113,515	–	113,515
– Listed derivatives	1,484	–	–	1,484
– Unlisted derivatives	–	28,600	–	28,600
	835,639	2,415,755	–	3,251,394
Liabilities				
Trading securities:				
– Listed equity securities	(257,521)	–	–	(257,521)
– Listed debt securities	–	(119,991)	–	(119,991)
– Listed funds	(25,441)	–	–	(25,441)
– Unlisted derivatives	–	(51,707)	–	(51,707)
	(282,962)	(171,698)	–	(454,660)

40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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
	11,492,956	2,204,490	40,869,046	54,566,492
Liabilities				
Trading securities:				
– Listed equity securities	(594,779)	–	–	(594,779)
– Listed debt securities	–	(11,017)	–	(11,017)
– Unlisted derivatives	–	(60,218)	–	(60,218)
	(594,779)	(71,235)	–	(666,014)

All financial instruments including financial instruments measured at amortised cost, were stated at fair value or carried at amounts not materially different from their fair values as at 31 December 2021 and 2020.

40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

As at 31 December 2021, four of the financial assets at fair value through profit or loss with fair values of HK$408,591,000, HK$336,385,000, HK$291,167,000 and HK$95,840,000 were previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As unadjusted quoted prices are available in the active market, the fair value measurement of these equity securities were accordingly transferred from Level 3 to Level 1 of the fair value hierarchy.

As at 31 December 2020, one of the 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.

During the years ended 31 December 2021 and 2020, there were no transfers of fair value measurements between Level 1 and Level 2.

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 31 December 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%	(40,732)
			(5%)	40,732
	Market multiples	0.7 to 33.1	5%	86,898
			(5%)	(86,898)
Binomial model and equity allocation model	Discount rate	6.29% to 30.00%	5%	(1,845)
			(5%)	1,872
	Volatility	36.02% to 67.30%	5%	4,270
			(5%)	(4,105)
Put option model	Discount for lack of marketability for restricted shares	4.10% to 9.91%	5%	(422)
			(5%)	422

40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Information about Level 3 fair value measurements (continued)

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

40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Information about Level 3 fair value measurements (continued)

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

	Financial assets designated at fair value through profit or loss				
	Listed equity securities HK$'000	Unlisted equity securities/ collective investment schemes HK$'000	Unlisted convertible preference shares HK$'000	Unlisted debt securities HK$'000	Total HK$'000
At 1 January 2020	797,907	27,361,443	4,731,775	830,881	33,722,006
Purchased	–	6,652,229	744,077	700,000	8,096,306
Net unrealised gains or loss recognised in profit or loss	(211,497)	105,558	1,635,889	(38,099)	1,491,851
Exchange adjustments	7,723	967,515	139,870	(2,883)	1,112,225
Disposals	(159,494)	(2,061,990)	(664,695)	(232,524)	(3,118,703)
Reclassification	(434,639)	–	(97,566)	97,566	(434,639)
At 31 December 2020 and 1 January 2021	–	33,024,755	6,489,350	1,354,941	40,869,046
Purchased	–	3,166,526	1,151,443	1,948,943	6,266,912
Net unrealised gains or loss recognised in profit or loss	36,997	4,299,981	1,159,648	(1,309,152)	4,187,474
Exchange adjustments	6,181	615,997	112,200	–	734,378
Disposals	(120,503)	(2,590,382)	(72,697)	(457,674)	(3,241,256)
Reclassification	210,235	(811,666)	(530,552)	–	(1,131,983)
At 31 December 2021	132,910	37,705,211	8,309,392	1,537,058	47,684,571

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash flows from operating activities:

	2021 HK$'000	2020 HK$'000
Profit before taxation	3,540,553	3,205,256
Interest income on bank deposits	(113,418)	(91,782)
Interest expenses	937,446	1,062,091
Dividend income	(402,562)	(365,877)
Share of profits less losses of joint ventures	(59,237)	(43,300)
Share of profits less losses of associates	(1,229,097)	(563,020)
Depreciation and amortisation expenses	67,220	80,989
Realised gain on partial disposal of an associate	–	(251,189)
Gain on losing control of subsidiaries	(26,672)	(57,136)
Net loss on revaluation of investment properties	382,979	23,675
Gain on disposal of investment properties	(4,540)	(7,175)
Loss/(gain) on disposal of property, plant and equipment	296	(140)
Impairment loss of investment in an associate	400,000	178,000
Impairment loss on advances to customers	23,190	15,000
Impairment loss on finance lease receivables	17,200	–
Cash inflow before working capital changes	3,533,358	3,185,392
Decrease/(increase) in finance lease receivables	507	(3,590)
Decrease/(increase) in debtors, deposits, prepayments and others	309,712	(574,471)
(Increase)/decrease in inventories	(8,767)	118,146
Increase in trading securities	(285,273)	(542,884)
(Increase)/decrease in advances to customers	(1,260,343)	801,568
Increase in financial assets at fair value through profit or loss	(5,457,314)	(6,140,185)
Decrease in amount due from an associate	–	253,704
Increase in other financial liabilities	206,053	3,177,757
(Decrease)/increase in creditors, deposits received and accrued charges	(157,760)	254,012
Hong Kong profits tax paid	(32,537)	(44,362)
Overseas profits tax paid	(353,062)	(421,980)
Net cash (outflow)/inflow from operating activities	(3,505,426)	63,107

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(continued)

(b) Losing control of subsidiaries

During the year ended 31 December 2021, the Group lost control on certain subsidiaries and recognised the remaining interests as investment in an associate, investment in a joint venture and financial assets at fair value through profit or loss. The fair values of the assets and liabilities disposed of were as follows:

	2021 HK$'000
Consideration from losing control of subsidiaries	–
Less: Cash of subsidiaries	(479,968)
Net cash outflow from losing control of subsidiaries	(479,968)
Less: Debtors, deposits, prepayments and others	(63,961)
Less: Financial assets at fair value through profit or loss	(824,862)
Less: Property, plant and equipment	(6)
Add: Creditors, deposits received and accrued charges	40,503
Add: Other financial liabilities	520,537
Add: Non-controlling interests	11,436
	(796,321)
Add: Investment in an associate	59,408
Add: Investment in a joint venture	11,903
Add: Financial assets at fair value through profit or loss	751,682
Gain on losing control of subsidiaries	26,672

During the year ended 31 December 2020, the Group disposed of 76% equity interest in a subsidiary to associates and recognised the remaining interests as investment in an associate. The fair values of the assets and liabilities disposed of were as follows:

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

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(continued)

(c) Changes in liabilities arising from financing activities

	1 January 2021 HK$'000	Net cash flows HK$'000	Foreign exchange movement HK$'000	Dividend declared HK$'000	Other HK$'000	31 December 2021 HK$'000
Bank loans	18,908,648	2,859,991	97,717	–	–	21,866,356
Notes payable	27,000	–	–	–	–	27,000
Dividend payable	–	(1,061,710)	–	1,061,710	–	–
Bonds payable	12,669,450	–	367,995	–	–	13,037,445
Lease liabilities	105,829	(43,202)	2,527	–	27,221	92,375
Total liabilities from financing activities	31,710,927	1,755,079	468,239	1,061,710	27,221	35,023,176

	1 January 2020 HK$'000	Net cash flows HK$'000	Foreign exchange movement HK$'000	Dividend declared HK$'000	Other HK$'000	31 December 2020 HK$'000
Bank loans	18,985,848	(266,044)	188,844	–	–	18,908,648
Notes payable	57,000	(30,000)	–	–	–	27,000
Dividend payable	–	(623,544)	–	623,544	–	–
Bonds payable	11,917,865	–	751,585	–	–	12,669,450
Lease liabilities	131,799	(52,978)	4,177	–	22,831	105,829
Total liabilities from financing activities	31,092,512	(972,566)	944,606	623,544	22,831	31,710,927

42. SEGMENT INFORMATION

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

Fund Management Business

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

- Primary market investment: Investment in unlisted equity securities or equity derivatives with equity position for participating in the ongoing management of these companies, and with an ultimate objective of capital gain on investee's equity listing or through other exit channels. Areas of investments include new economy, artificial intelligence and advanced manufacturing, new energy, medical care and senior healthcare, overseas acquisition and infrastructure, real estate, aircraft industry chain, mezzanine fund and others.

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

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

- Wealth Management: Everbright Prestige 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.

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:

- Key investee companies: Focusing on aircraft leasing, artificial intelligence of things (AIoT) and elderly care industry platforms;

- Financial investments: Investing in equity, debts, structured products and other products; and

- Cornerstone investments: The Group's stake in China Everbright Bank and Everbright Securities contributing relative stable earnings and dividend income.

42. SEGMENT INFORMATION (continued)

(a) Business segments

For the year ended 31 December 2021:

	Fund Management Business				Principal Investments Business				
	Primary Market Investments HK$'000	Secondary Market Investments HK$'000	Fund of Funds Investments HK$'000	Wealth Management HK$'000	Key Investee Companies HK$'000	Financial Investments HK$'000	Cornerstone Investments HK$'000	Reportable segments total HK$'000	Total HK$'000
Income from contract with customers	274,031	91,444	30,275	–	–	263,642	–	659,392	659,392
Income from investments	2,355,446	(29,834)	912,812	–	650,362	22,674	402,562	4,314,022	4,314,022
Income from other sources	19,591	26,400	–	–	–	(322,524)	–	(276,533)	(276,533)
Total income	2,649,068	88,010	943,087	–	650,362	(36,208)	402,562	4,696,881	4,696,881
Segment operating results	2,013,506	(31,823)	907,933	–	649,142	(506,252)	402,562	3,435,068	3,435,068
Unallocated head office and corporate expenses*									(1,182,849)
Share of profits less losses of associates	140,636	–	–	–	179,854	33,104	875,503	1,229,097	1,229,097
Share of profits less losses of joint ventures	26,404	–	(31)	33,576	–	(712)	–	59,237	59,237
Profit before taxation	2,180,546	(31,823)	907,902	33,576	828,996	(473,860)	1,278,065	4,723,402	3,540,553
Less: Non-controlling interests	(65,743)	(86,449)	(96,812)	–	–	138,062	–	(110,942)	
Segment results	2,114,803	(118,272)	811,090	33,576	828,996	(335,798)	1,278,065	4,612,460	
Other segment information:									
Interest income	132,598	86,194	87,893	–	14,305	206,602	–	527,592	
Impairment losses recognised in the statement of profit or loss	400,000	–	–	–	–	40,390	–	440,390	

* The unallocated head office and corporate expenses mainly included unallocated finance costs, employee expenses and other operating expenses. The segment expenses and the unallocated head office and corporate expenses are measured on the same basis as HKFRS.

42. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

For the year ended 31 December 2020:

	Fund Management Business				Principal Investments Business				
	Primary Market Investments HK$'000	Secondary Market Investments HK$'000	Fund of Funds Investments HK$'000	Wealth Management HK$'000	Key Investee Companies HK$'000	Financial Investments HK$'000	Cornerstone Investments HK$'000	Reportable segments total HK$'000	Total HK$'000
Income from contracts with customers	226,463	107,496	26,937	–	–	179,523	–	540,419	540,419
Income from investments	467,310	405,748	516,042	–	1,308,377	1,023,152	617,066	4,337,695	4,337,695
Income from other sources	5,270	(17,712)	–	–	–	120,585	–	108,143	108,143
Total income	699,043	495,532	542,979	–	1,308,377	1,323,260	617,066	4,986,257	4,986,257
Segment operating results	269,875	352,962	504,909	(280)	1,308,377	880,789	617,066	3,933,698	3,933,698
Unallocated head office and corporate expenses*									(1,334,762)
Share of profits less losses of associates	56,923	–	–	–	98,913	(156,931)	564,115	563,020	563,020
Share of profits less losses of joint ventures	17,318	–	–	25,982	–	–	–	43,300	43,300
Profit before taxation	344,116	352,962	504,909	25,702	1,407,290	723,858	1,181,181	4,540,018	3,205,256
Less: Non-controlling interests	43,510	(108,492)	1,890	–	–	85,865	–	22,773	
Segment results	387,626	244,470	506,799	25,702	1,407,290	809,723	1,181,181	4,562,791	
Other segment information:									
Interest income	108,292	79,284	56,350	–	7,634	184,092	–	435,652	
Impairment losses recognised in the statement of profit or loss	178,000	–	–	–	–	15,000	–	193,000	

* The unallocated head office and corporate expenses mainly included unallocated finance costs, employee expenses and other operating expenses. The segment expenses and the unallocated head office and corporate expenses are measured on the same basis as HKFRS.

42. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Other Information

As at 31 December 2021

	Fund Management Business				Principal Investments Business				
	Primary Market Investments HK$'000	Secondary Market Investments HK$'000	Fund of Funds Investments HK$'000	Wealth Management HK$'000	Key Investee Companies HK$'000	Financial Investments HK$'000	Cornerstone Investments HK$'000	Reportable segments total HK$'000	Total HK$'000
Segment assets	28,199,812	4,859,757	10,767,619	–	4,497,652	25,194,734	6,386,344	79,905,918	79,905,918
Investments in associates	3,983,647	–	–	–	2,468,552	490,074	13,476,168	20,418,441	20,418,441
Investments in joint ventures	251,124	–	–	808,213	–	2,003	–	1,061,340	1,061,340
Unallocated head office and corporate assets									407,862
Total assets									101,793,561
Segment liabilities	3,073,670	1,153,454	5,044,786	–	–	5,029,537	–	14,301,447	14,301,447
Unallocated head office and corporate liabilities									32,387,123
Provision for taxation									693,348
Deferred tax liabilities									3,375,113
Total liabilities									50,757,031

As at 31 December 2020

	Fund Management Business				Principal Investments Business				
	Primary Market Investments HK$'000	Secondary Market Investments HK$'000	Fund of Funds Investments HK$'000	Wealth Management HK$'000	Key Investee Companies HK$'000	Financial Investments HK$'000	Cornerstone Investments HK$'000	Reportable segments total HK$'000	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

42. SEGMENT INFORMATION (continued)

(b) Geographical segments

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

	For the year ended 31 December 2021			For the year ended 31 December 2020		
	Hong Kong & Others HK$'000	Mainland China HK$'000	Total HK$'000	Hong Kong & Others HK$'000	Mainland China HK$'000	Total HK$'000
Segment revenue						
Income from contracts with customers	219,881	439,511	659,392	223,730	316,689	540,419
Income from investments	1,385,977	2,928,045	4,314,022	323,905	4,013,790	4,337,695
Income from other sources	68,382	(344,915)	(276,533)	25,766	82,377	108,143
	1,674,240	3,022,641	4,696,881	573,401	4,412,856	4,986,257

	For the year ended 31 December 2021			For the year ended 31 December 2020		
	Hong Kong & Others HK$'000	Mainland China HK$'000	Total HK$'000	Hong Kong & Others HK$'000	Mainland China HK$'000	Total HK$'000
Specified non-current assets	2,597,988	24,832,093	27,430,081	2,343,151	24,085,594	26,428,745

43. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Changes in assumptions may have a significant impact on the financial statements in the periods where the assumptions are changed. The application of assumptions and estimates means that any selection of different assumptions would cause the Group's reporting to differ. The Group believes that the assumptions that have been made are appropriate and that the financial statements therefore present the financial position and results fairly, in all material respects. Management has discussed with the Audit and Risk Management Committee on the development, selection and disclosure of the Group's significant accounting policies and estimates and the application of these policies and estimates.

43. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Sources of estimation uncertainty

(i) Unlisted investments

The fair values of unlisted financial assets at fair value through profit or loss and other non-trading securities are significantly affected by the combination of valuation methodologies employed, the parameters used and, if required, the related comparable companies chosen. The valuation methodologies and the source of parameters adopted by the Group are discussed in note 40.

(ii) Impairment of advances to customers and debtors, deposits, prepayments and others

The impairment provisions for amortised receivables are based on assumptions about ECLs. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience, market benchmark and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss.

(iii) Tax provision

The Group's taxation provision is based on management's assessment of the estimated assessable profits for the year taking into consideration tax legislations in Hong Kong and the relevant overseas jurisdictions.

(b) Critical accounting judgements in applying the Group's accounting policies

(i) Structured entities managed by the Group and its affiliates

The Group and its affiliates, acting as the general partners or investment managers to a number of structured entities (investment funds and collective investment schemes), have provided seed capital for the set up of these structured entities. When determining whether the Group controls these structured entities, usually the level of aggregate economic interests of the Group in these funds and the level of investors' rights to remove the general partners or investment managers are considered. The Group determines that it has no control over some structured entities since the level of aggregate economic interests of the Group in those structured entities is not so significant that it gives the Group control over the structured entities, or the Group cannot control the general partners or investment managers, after taking into consideration the level of investors' rights to remove the general managers or investment managers and the power of other investors over the general partners or investment managers. The Group determines that it has control over some structured entities and has consolidated them. Further details of unconsolidated structured entities are set out in note 38.

(ii) Involvement with unconsolidated structured entities

Disclosures of interests in unconsolidated structured entities provide information on involvement in these entities which exposes the Group to variability of returns from the performance of the other entity. Involvement is considered on a case-by-case basis, taking into account the nature of the entity's activity. This could include holding debt and equity instruments, or the provision of structured derivatives, but excludes involvement that exists only because of typical customer supplier relationships, such as market-making transactions to facilitate secondary trading or senior lending in the normal course of business.

43. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Critical accounting judgements in applying the Group's accounting policies (continued)

(iii) Impairment of investment in an associate – Jiabao Group

As at 31 December 2021, the cumulative impairment allowance and net carrying value of the Group's investment in Jiabao Group, an associate of the Group, amounted to HK$578,000,000 and HK$3,919,473,000 respectively. For impairment testing, the Group engaged an external specialist to estimate the value-in-use of Jiabao Group, using a discounted cash flow model. In carrying out the impairment assessment, significant judgement and assumptions are required to estimate the value-in-use based on the forecasted cash flows of Jiabao Group and the discount rate applied.

44. BANKING FACILITIES AND PLEDGE OF ASSETS

Aggregate banking facilities of the Group as at 31 December 2021 amounted to HK$31.9 billion (2020: HK$27.3 billion). The Group has utilised HK$21.9 billion (2020: HK$18.9 billion) of these facilities.

As at 31 December 2021, restricted bank balances of HK$49 million were pledged to the banks for sales of mortgaged properties to customers and interest reserve account on borrowings, and HK$212 million were used to secure certain bonds payable of the Group. Investment properties, property, plant and equipment, inventories and shares with carrying value of HK$4,759 million, HK$23 million, HK$438 million and HK$1,650 million, respectively, are mortgaged to secure certain bank loans granted to the Group. Pursuant to the prime brokerage agreements entered into with the prime brokers of a fund held by the Group, cash and securities deposited with the prime brokers were secured against liabilities to the prime brokers. As at 31 December 2021, assets deposited with the prime brokers included HK$1,618 million and HK$89 million which formed part of the Group's trading securities and debtors respectively. Details of bank balances pledged are set out in note 24.

45. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 4]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
4 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

45. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

45. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

46. LITIGATION

Reference is made to the announcement of the Company made through The Stock Exchange of Hong Kong Limited 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 liabilities which may be incurred as a result 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 applicable listing rules, laws and regulations.

47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 155 to 249 were approved and authorised for issue by the Board of Directors on 17 March 2022.

FINANCIAL SUMMARY

RESULTS

	For the years ended 31 December				
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000
Turnover	8,454,405	9,211,012	12,617,142	22,682,402	21,785,133
Operating profit after finance costs	3,565,481	2,683,306	1,850,640	2,598,936	2,252,219
Share of profits less losses of associates and joint ventures	1,372,474	700,982	912,167	606,320	1,288,334
Profit before taxation	4,937,955	3,384,288	2,762,807	3,205,256	3,540,553
Income tax	(853,497)	(380,099)	(551,037)	(948,118)	(768,186)
Profit from continuing operations	4,084,458	3,004,189	2,211,770	2,257,138	2,772,367
Discontinued operations	207,604	6,775	–	–	–
Profit for the year	4,292,062	3,010,964	2,211,770	2,257,138	2,772,367
Attributable to:					
Equity shareholders of the Company	4,148,342	3,103,917	2,237,166	2,264,175	2,572,840
Holders of senior perpetual capital securities	–	–	–	15,736	88,585
Non-controlling interests	143,720	(92,953)	(25,396)	(22,773)	110,942
	4,292,062	3,010,964	2,211,770	2,257,138	2,772,367
Earnings per share (HK$)	2.461	1.842	1.327	1.344	1.527

ASSETS AND LIABILITIES

	As at 31 December				
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000
Total assets	72,918,271	77,260,764	86,496,483	96,974,800	101,793,561
Total liabilities	(30,573,276)	(35,880,567)	(42,709,113)	(47,541,819)	(50,757,031)
Senior perpetual capital securities	–	–	–	(2,341,276)	(2,341,161)
Non-controlling interests	(1,674,584)	(1,521,535)	(2,196,045)	(1,654,688)	(1,759,044)
Shareholders' fund	40,670,411	39,858,662	41,591,325	45,437,017	46,936,325

PARTICULARS OF MAJOR PROPERTIES

Location	Site area/Gross floor area	Tenure	Use
Hong Kong			
46th Floor, Far East Finance Centre, 16 Harcourt Road	Gross floor area of 10,800 sq. ft.	Government lease for 75 years from 23rd July 1980, renewable for another 75 years	Commercial
40th Floor, Far East Finance Centre, 16 Harcourt Road	Gross floor area of 10,800 sq. ft.	Government lease for 75 years from 23rd July 1980, renewable for another 75 years	Commercial
Flat A, 27/F, 1 Star Street, Wanchai	Gross floor area of 655 sq. ft.	Government lease for 75 years from 22nd August 1928, renewable for another 75 years	Residential
Mainland China			
Units 1-17, 8th Floor, Industrial Bank Building, 4013 Shennan Road, Futian District, Shenzhen	Gross floor area of 1,241.25 sq.m.	Land use rights for 50 years from 27th December 2000	Commercial
Unit 1300, Level 13, China Overseas International Center, 28 Ping'anli West Street, Xicheng District, Beijing	Gross floor area of 1,474.42 sq.m.	Land use rights for 50 years from 7th March 2004	Commercial
Level 25, 21 Century Center, No. 210 Century Road, Pudong New District, Shanghai	Gross floor area of 1,976.23 sq.m.	Land use rights for 50 years from 25th February 1997	Commercial

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Zhao Wei (Chairman)
Zhang Mingao (President)
Wang Hongyang
Yin Yanwu

Non-executive Directors

Pan Wenjie
Fang Bin

Independent Non-executive Directors

Lin Zhijun
Chung Shui Ming Timpson
Law Cheuk Kin Stephen

COMPANY SECRETARY

Wan Kim Ying Kasina

REGISTERED OFFICE

46th Floor
Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

China Everbright Bank Company Limited
Industrial and Commercial Bank of China (Asia) Limited
China Construction Bank Corporation
Agricultural Bank of China Limited
Bank of Communications Company, Limited
China Minsheng Banking Corporation Limited, Hong Kong Branch

SHARE REGISTRAR

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

WEBSITE ADDRESS

http://www.everbright.com

INVESTOR RELATIONS CONTACT

ir@everbright.com

STOCK CODE: 165

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