



光大控股  
EVERBRIGHT LIMITED

The Power to *Transform*  
專注致遠 順勢有為

ANNUAL REPORT 2022 | STOCK CODE : 165

Charting a Course forward with  
**STABLE GROWTH**

穿越週期 穩步前航



## COVER STORY



### Charting a Course forward with **STABLE GROWTH**

Just as a voyage is full of storms and uncertainties, a company's development faces fluctuations and challenges. Assessing situations accurately and identifying potential trends with strategic foresight are key to prompt responses and transformation of crises into opportunities.

An excellent navigator is experienced, calm in the face of danger, and leads the team forward with firm belief and a broad vision.

With over 25 years of experience in cross-border investment and asset management, CEL has weathered storms and continued to thrive. Whether in calm waters or turbulent waves, we are always able to navigate the cycles and sail ahead steadily.

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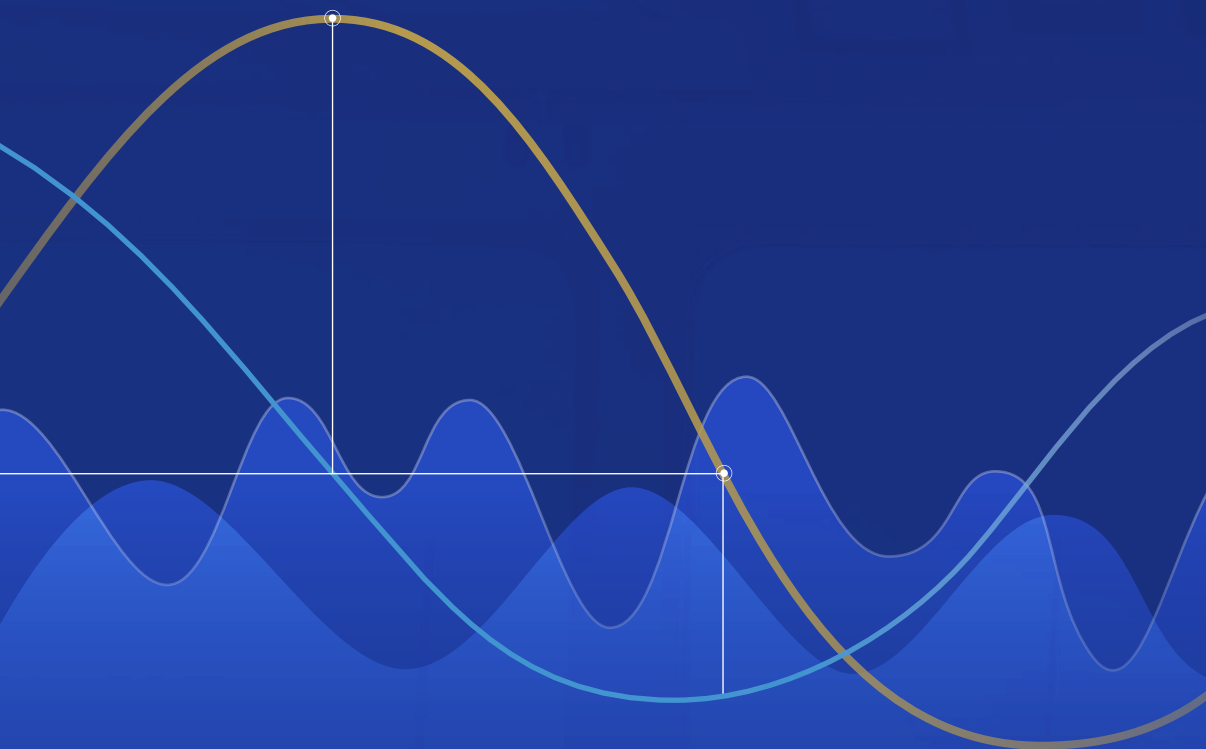
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# FORWARD-LOOKING VISION

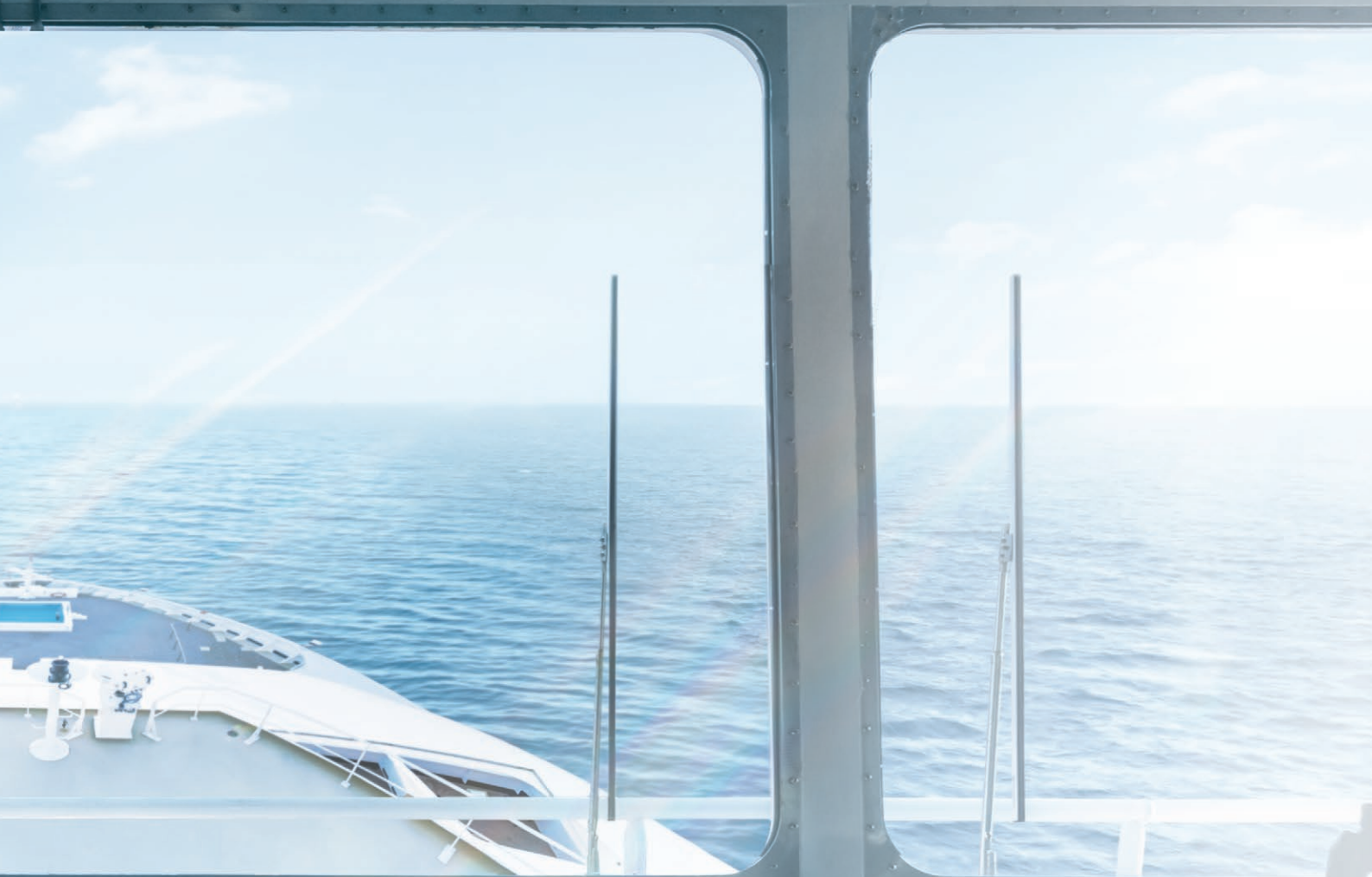
CEL has an excellent team with extensive investment experience. We strategically lay out plans with a unique and forward-looking vision, take proactive measures, and consistently turn crises into opportunities, ultimately gaining the upper hand in development.



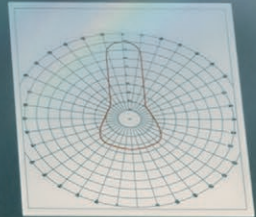
Hdg/G  
225.0°



CALL SIGN :  
MMSI No. :



Navigation and engine control panel. Includes fields for 'COG', 'DPS 1', 'DPS 2', 'RPM', and '0 rpm'.



Emergency and alarm indicator panel. Includes buttons for 'EMERGENCY', 'ALARM', and 'INDICATOR'.

Large radar display showing a target labeled 'SEASPRAT' and 'LOREAN BASKANDY'. The text 'Radar Standby' is visible at the bottom.





# DRIVING DEVELOPMENT

CEL actively integrates into the new development landscape, constantly invests in growth-oriented enterprises and contributes to the high-quality development of China's real economy.



# PROGRESSING STEADILY

CEL firmly upholds its strategic goals to become a leader in China's cross-border investment and asset management industry. Facing the wave of the new era, we stride forward with determination, striving to create long-term value for our shareholders and investors.





# 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 listed company in Hong Kong with alternative investment and asset management as the core business. With more than 25 years of experience in cross-border asset management and private equity (“PE”) investment, CEL has been assessed as one of the top PE firms in China several times. China Everbright Group Ltd. (“Everbright Group”), the largest shareholder of the Company, is indirectly holding 49.74% of the shares of CEL.

For Fund Management Business, as at 31 December 2022, total assets under management (“AUM”)<sup>1</sup> of CEL reached approximately HK\$165.4 billion, with 80 funds under management. Through various primary market funds and Fund of Funds (“FoFs”) under its management, CEL has nurtured many valuable enterprises with high growth potential alongside with its investors. Based on the needs of economic development in China, CEL also provides diverse financial services to Chinese and overseas investors through introducing overseas technologies superiority to the Chinese market.

In respect of the Principal Investments Business, CEL has 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”); and invested in Chongqing Terminus Technology Co., Ltd. (“Terminus”), a unicorn company in the artificial intelligence and Internet of Things (“AIoT”) industry. Meanwhile, CEL also invests in financial assets to achieve a balanced return and liquidity in its principal investments in due course. 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.

<sup>1</sup> Total assets under management refer to the committed capital of fund investors (including CEL as an investor) for primary market funds and FoFs, and refers to the net worth of funds for secondary market investments.



49.74%



### FUND MANAGEMENT BUSINESS

PRIMARY MARKET INVESTMENTS	SECONDARY MARKET INVESTMENTS	FoFs INVESTMENTS
<ul style="list-style-type: none"> <li>Fund products including primary market funds (including real estate private funds under EBA Investments' Real Estate Fund ("EBA Investments")), secondary market funds and FoFs, among others</li> <li>Both domestic and overseas investments, with USD and RMB-denominated products</li> <li>AUM amounting to approximately HK\$165.4 billion, of which seed capital contributed by CEL accounts for approximately 24%, with an amount of approximately HK\$40.2 billion</li> </ul>		

### PRINCIPAL INVESTMENTS BUSINESS

KEY INVESTEE COMPANIES	FINANCIAL INVESTMENTS	CORNERSTONE INVESTMENTS
<ul style="list-style-type: none"> <li>Key Investee Companies: focusing on aircraft full life-cycle services, AIoT and senior healthcare management</li> <li>Financial Investments: financial investments in equity, debts, and structured products</li> <li>Cornerstone Investments: stake in a portion of the equity interests in China Everbright Bank and Everbright Securities</li> <li>The total asset value of the Principal Investments Business amounting to approximately HK\$34.9 billion</li> </ul>		

# 2022 BUSINESS DEVELOPMENT HIGHLIGHTS

## REVIEW OF BUSINESS HIGHLIGHTS IN 2022

The extensive and overall pullback in the financial markets around the globe posed major challenges to the Group's cross-border investment and asset management business in 2022. During the year, it was a rare occurrence of the stock market, bond market and foreign exchange market went down simultaneously. Firstly, the capital markets around the globe fluctuated substantially. Most of the major global indexes fell, while the stock indexes in the Asia-Pacific region were substantially under pressure. It resulted in a fall in the market value of the private equity investment projects held by the Group which had been listed but had not yet exited. It also led to a decline in the valuation of some unlisted private equity investment projects which were evaluated with reference to other listed projects. Secondly, the fixed-income and equity investment markets were substantially impacted as global inflation began to tick up and monetary policies were tightened at an accelerated pace, which in turn hit the Group's investment performance in the secondary market. Thirdly, the interest rate spreads in China dropped away considerably from those in the United States as a result of the Federal Reserve's aggressive interest rate hike policy. RMB depreciated significantly against the US dollar and the Hong Kong dollar pegged to the US dollar exchange rate, resulting in an unfavourable conversion difference in the financial statements when the Group's RMB assets were converted into Hong Kong dollars as the reporting currency. In general, the poor performance in the stock, bond and foreign exchange markets led to a sharp decline in the estimated market values of some of the Group's invested projects compared with the end of 2021, as well as a relatively large degree of unrealised losses in the Group's investment performance.

During the reporting period, the Group proceeded with the fund management business in a steady and orderly manner, and took advantage of the window period for each "fund raising, fund investment, post-investment management and post-investment exit" stage to boost the high-quality development of the business. As the financial market was fluctuating substantially, the management of the Group made defensive decisions and overall arrangements in a timely manner. By stepping up the withdrawal and recovery of project funds, keeping strict control over business costs and expenses, and making selective investments in quality projects, the Group managed to secure the bottom line against risks and to make sure business operations were conducted in an orderly manner. In 2022, the Group launched 2 new funds in the primary market, with newly raised capital of approximately HK\$1.1 billion; HK\$4.2 billion were contributed in aggregate to a total of 49 projects; and 86 projects were fully/partially divested, generating cash inflow of approximately HK\$13.9 billion.

Generally speaking, with a focus on the two core businesses – fund management business and investment business – the Group carried out the fundraising, investment, management and exit business in a steady manner. It managed to assess the situation and strike a balance in the relationship between project investment value and external risks, and maintained a strategic focus, so that progress was made in the following areas:

### Fund management

- **Devise a key plan for emerging industries:** new funds were established to focus on high-end manufacturing, information technology, green and environmental protection, new infrastructure and niche businesses as investment approach; strengthened the investment in Belt & Road Green Fund and the establishment of regional sub-funds.
- **Fundraising efforts proceed steadily:** Capital CEL Specialised and New Enterprises Fund and Nanjing Direct Investment Fund for Belt & Road Green Fund were launched; established funds have received recognition and support from their limited partners which comprising the local governments; Asian Infrastructure Investment Bank (“AIIB”) has approved to commit US\$100 million in CEL Infrastructure Investment Fund II.
- **Capture investment opportunities prudently:** investment with careful selection and prudent decisions made in high-quality projects such as CNNP Rich Energy, Kunyu New Energy, issTECH, Tianmu Xiandao Battery and Ganzhou HPY Technology, among which Tianmu Xiandao Battery and Ganzhou HPY Technology won a number of national awards in 2022.
- **Diversified exit channels:** transfer and IPO exit methods were combined together. We exited from several overseas projects such as Norwegian public transportation project, vehicle inspection system and BPG project (an advanced equipment manufacturer) by way of transfer; 7 investment projects (Giant Biogene, Recbio, Credo Technology, SatixFy, ASR Microelectronics, iSoftStone and Haitai Solar) were listed on the Stock Exchange of Hong Kong, NASDAQ in the United States, Shanghai Stock Exchange STAR Market, Shenzhen Stock Exchange ChiNext and Beijing Stock Exchange respectively by way of IPOs.

### Key investee companies

- **CALC grows steadily with overall planning for the entire industry chain:** the fleet size continued to expand, with the number of fleets increasing to 176; CALC became the first aircraft recycling company rated by the Aircraft Fleet Recycling Association (“AFRA”) as Diamond Grade (the highest grade); CALC was determined to execute the national strategy of opening up the overseas market for China-made large aircraft. Its Indonesian airline TransNusa officially received regional jet ARJ21, which was the first time for China-made jets to enter the overseas market. It was a great significance for the Belt and Road Initiative’s project construction and for the creation of a new development pattern for “dual circulation”.
- **Everbright Senior Healthcare fulfils social responsibilities through development:** having recognised the importance of the prevention and control of the pandemic, it continued to keep zero infection for the elderly residents before the pandemic control was lifted, which effectively protected the health of the elderly and demonstrated the responsibility of a state-owned enterprise; it proactively reacted to the China’s appeal by participating in the training organized by the National Development and Reform Commission in the transformation of nursing homes; it maintained its position as an industry leader, ranking second among the “Integrated Business Enterprises in the Impactful Healthcare Industry for 2022” published by Guandian and continuously ranking among the top three in the monthly updated “Report on the Development of Elderly Care Services” published by Guandian.
- **Terminus reaches a new level of development with research on AIoT:** it upgraded its operating system to a brand new one with the release of TacOS 3.0 and cloud-edge integrated product matrix; it pooled together senior professionals by appointing three fellows from the Institute of Electrical and Electronics Engineers (IEEE Fellow) as the Chief Technology Officer, AI Chief Scientist and IoT Chief Scientist respectively; it set up a laboratory in collaboration with top scientific research institutes, including, among others, the Chinese Academy of Sciences, University of Chinese Academy of Sciences and Tongji University to carry out technical cooperation and personnel training; it took the initiative to undertake national-level technical research tasks, such as a multi-modal network based on 6G communication technology as well as national key communication R&D projects.

<p>Resources reserve</p>	<ul style="list-style-type: none"> <li>▪ <b>Levelled up liquidity reserve:</b> during the reporting period, the new bank loan facilities exceeded HK\$21.2 billion, and successfully issued RMB3 billion 3-year medium-term notes in June at the National Association of Financial Market Institutional Investors. As at the end of December 2022, the Group’s cash on book amounted to approximately HK\$8.2 billion and unutilised bank facilities amounted to approximately HK\$12 billion.</li> <li>▪ <b>Increased depth of coverage of technology innovation resources:</b> we supported innovative development based in Hong Kong, with China Everbright Hong Kong Innovation Centre and CEL Global Partner Project in the Hong Kong Science Park as our backup; we supported the construction of an innovation and technology centre in Hong Kong to incubate start-ups, and capture investment opportunities; we pushed forward with the construction and operation of the innovation and technology centre on an ongoing basis. In particular, the incubator at China Everbright Hong Kong Innovation Centre is currently over-occupied with start-ups.</li> <li>▪ <b>Strengthened regional development to increase investment exposure in a mass market:</b> we carried out an in-depth overall planning for the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area; we played an active role in the build-up of the Chengdu-Chongqing Economic Circle, Hainan Free Trade Port and Xiongan New Area. The overall planning comprised software and network, retailing, consumer goods, healthcare and other fields.</li> </ul>
<p>Environmental, social and governance (“ESG”)</p>	<ul style="list-style-type: none"> <li>▪ <b>Upgraded in category:</b> MSCI adjusted the Group to the more competitive category of “Asset Management and Custodian Bank” during the reporting period. Our ESG rating was upgraded from B to BB, with a score increase of 48%.</li> <li>▪ <b>Fulfil social responsibilities:</b> we organised and co-hosted activities to celebrate the 25th Anniversary of Hong Kong’s Return to China such as a pop-up symphony concert at the Victoria Harbour, the tram riding event to mark the 25th Anniversary of Hong Kong’s Return to China, the screening of the movie “Sunshine of My Life” as well as an event for selecting and staging a forum for young pioneers in science and technology.</li> <li>▪ <b>Improve ESG management policy on an ongoing basis:</b> we optimized a number of internal management rules and regulations such as risk management guidelines and the board diversity; we improved the climate change management policy and organizational structure; we benchmarked ourselves against the industry’s state-of-the-art technology by officially becoming a Task Force on Climate-related Financial Disclosures (TCFD) sponsor; and we strengthened ESG training by means of on-site and online measures to improve the literacy of all employees in ESG.</li> </ul>

## Key Income Items

(in HK\$ hundred million)	2022	2021	Change
Income from contracts with customers, mainly including:	8.43	6.59	28%
– Management fee income	2.66	3.40	(22%)
– Performance fee and consultancy fee	3.90	1.32	195%
Net (loss)/income from investments, mainly including:	(58.86)	43.15	N/A
– Interest income	5.64	5.28	7%
– Dividend income	21.24	8.99	136%
– Realised gain on investments	0.46	3.79	(88%)
– Unrealised (loss)/gain on investments	(86.34)	24.81	N/A
Income from other sources	(0.75)	(2.77)	(73%)
Share of profits less losses of associates	6.17	12.29	(50%)
Share of profits less losses of joint ventures	0.17	0.59	(71%)
<b>Total amount of income</b>	<b>(44.84)</b>	<b>59.85</b>	<b>N/A</b>

## Profit in Key Business Segments

(in HK\$ hundred million)	2022	2021	Change
(Loss)/profit from Fund Management Business	(38.10)	28.42	N/A
(Loss)/profit from Principal Investments Business:	(31.93)	17.71	N/A
– Key investee companies	(12.23)	8.29	N/A
– Financial investments	(30.45)	(3.36)	806%
– Cornerstone investments	10.75	12.78	(16%)
Less: Unallocated corporate expenses, taxes and profit attributable to holders of senior perpetual capital securities	(4.40)	(20.40)	(78%)
<b>(Loss)/profit attributable to shareholders of the Company</b>	<b>(74.43)</b>	<b>25.73</b>	<b>N/A</b>

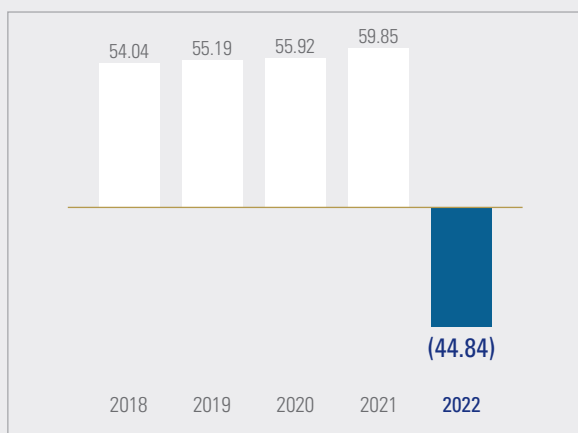
## Distribution of Equity Attributable to the Company's Shareholders

(in HK\$ hundred million)	2022	2021	Change
Shareholders' equity (other than cornerstone investments held)	164	270	(39%)
Cornerstone investments			
– Equity interests in Everbright Securities	127	135	(6%)
– Equity interests in China Everbright Bank	54	64	(16%)
<b>Total equity attributable to shareholders of the Company</b>	<b>345</b>	<b>469</b>	<b>(26%)</b>



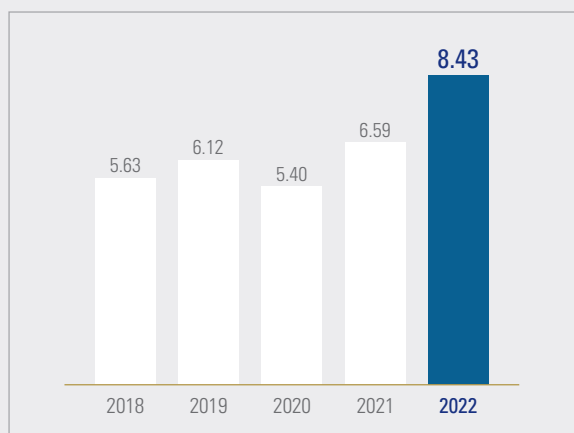
### TOTAL AMOUNT OF INCOME<sup>6</sup>

(HK\$ hundred million)



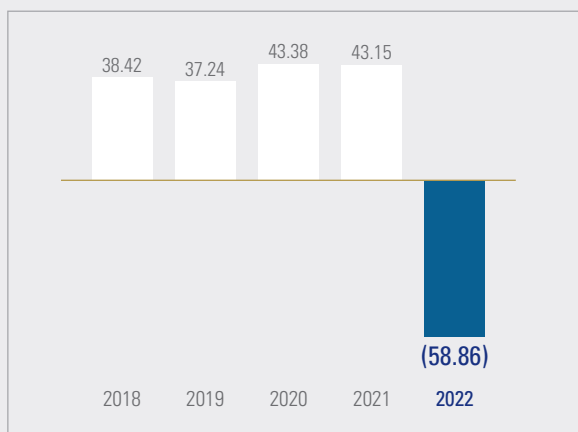
### INCOME FROM CONTRACTS WITH CUSTOMERS

(HK\$ hundred million)



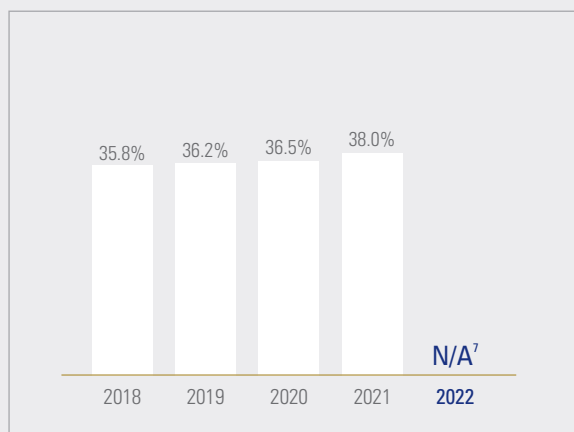
### (LOSS)/INCOME FROM INVESTMENTS

(HK\$ hundred million)



### DIVIDEND PAYOUT RATIO

(%)



Note:

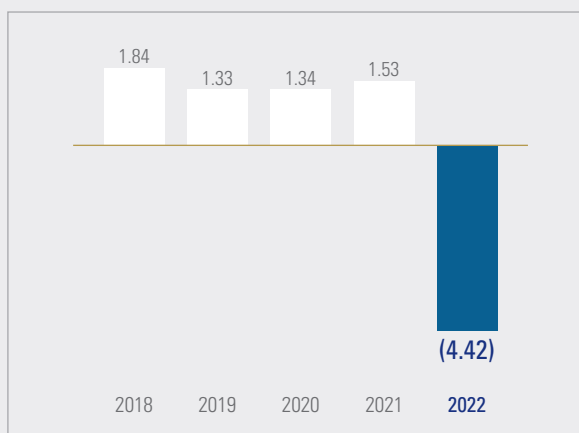
<sup>6</sup> The components are set out in the table headed "Key Income Items" on the previous page.

<sup>7</sup> The aggregate amount of dividends for the year is HK\$0.30 per share, in which the final dividend of HK\$0.15 per share is subject to approval at the forthcoming annual general meeting.

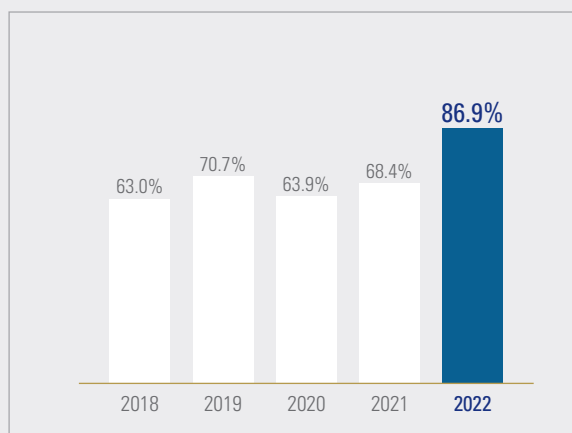




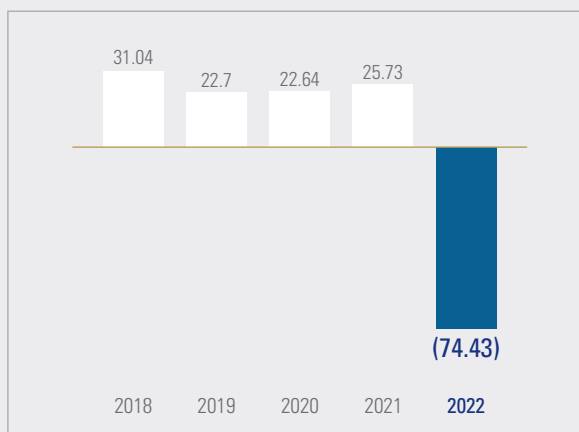
**BASIC (LOSS)/EARNINGS PER SHARE**  
(HK\$)



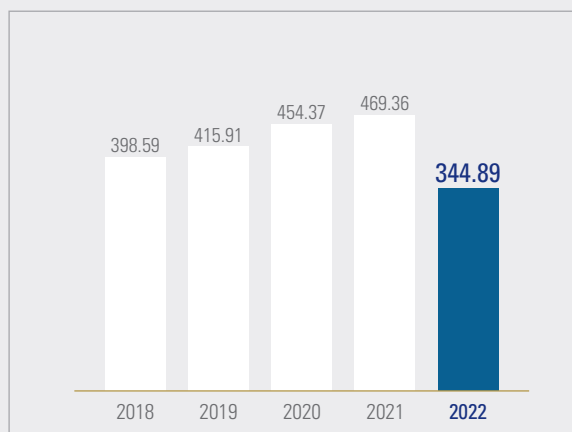
**GEARING RATIO<sup>7</sup>**  
(%)



**(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**  
(HK\$ hundred million)



**TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**  
(HK\$ hundred million)



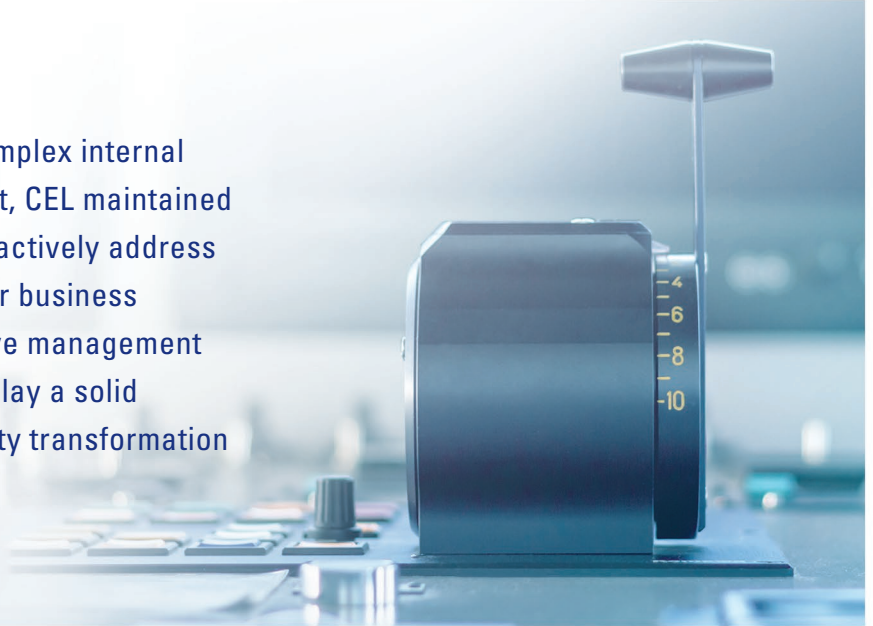
Note:

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

# 2022 REVIEW

## BUSINESS REVIEW

In 2022, in the face of complex internal and external environment, CEL maintained its strategic focus to proactively address challenges, steadily steer business development, and improve management efficiency, in an effort to lay a solid foundation for high-quality transformation and development.

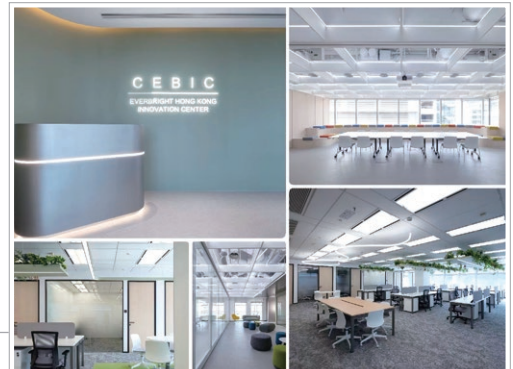


### Important Business Developments



Everbright Overseas Infrastructure Investment Fund (“EOIIF”), a fund managed by CEL, completed the disposal of Boreal Holding AS, a leading public transportation solution provider in Norway, to a company held by an investment fund managed by Vauban Infrastructure Partners, fully demonstrating the ability of EOIIF to acquire, integrate, and operate sizable overseas transactions.

CEL, SANY Group, and Huaxu Fund signed a strategic cooperation agreement, pursuant to which the three parties will cooperate in a technology industry fund, the development of Everbright Hong Kong Innovation Centre, industry-finance integration for SANY and its businesses, and talent exchanges, so as to practice the mission of finance serving the real economy and promote the high-quality development of industry-finance integration.





Everbright Belt & Road Green Fund initiated the establishment of the “Everbright Finance (Shaanxi) Advanced Manufacturing Investment Fund” in Shaanxi, which initially raised RMB1.85 billion. Focusing on two themes—“Belt and Road” and “Green Development”, CEL pragmatically promoted the fundraising and investment efforts of Everbright Belt & Road Green Fund to fulfill its responsibility as a central enterprise, in a drive to serve the real economy and major national development strategies with concrete actions.

Guangzhou CEL Guangzhou-Hong Kong-Macao Youth Venture Fund-of-Funds, a fund managed by CEL, participated in the Series C financing of Jane Eyre Yogurt to boost innovative entrepreneurship in the emerging consumer sector in Guangzhou.



- CEL, together with Zheshang Venture Capital, proposed to initiate the establishment of a sub-fund of National Manufacturing Transformation and Upgrade Fund in Zhejiang, which is a local government-sponsored manufacturing investment fund supported by National Manufacturing Transformation and Upgrade Fund and the Zhejiang Provincial Government. The new fund will be committed to promoting the construction of a multi-level and highly flexible manufacturing investment ecosystem, and helping Zhejiang build itself into a strong manufacturing province.

北京金控 光大控股 光大永明 首誉光控  
首都光控专精特新基金 发布仪式  
二〇二二年四月

CEL worked with Beijing Financial Holdings Group, Sun Life Everbright Life Insurance and Everbright Prestige Capital to jointly set up Capital Everbright Specialised and New Enterprises Fund, with an initial contract value of RMB719 million. The fund will implement General Secretary Xi Jinping’s important instructions on “making China’s digital economy bigger and stronger” by focusing on developing “hard technology” and supporting the development and growth of “specialised and new” SMEs in the capital.

**热烈祝贺**  
**中国光大控股有限公司**  
**2022年度第一期中期票据(熊猫债)**  
**成功发行**



债券简称	发行规模	债券期限	主体评级	票面利率	全场倍数
22光大控股 MTN001	30亿	3年	AAA	3.09%	2.49倍

发行人: 光大控股 EVERBRIGHT GROUP  
主承销商/簿记管理人: 中国银行 BANK OF CHINA  
联席承销商: Bank 中国光大银行 CHINA EVERBRIGHT BANK, 光大证券 EVERBRIGHT SECURITIES

- Everbright Belt & Road Green Fund completed the contract signing for investment in CNNP Rich Energy. This investment is a move of the fund to implement General Secretary Xi Jinping’s important instructions on financial work, the Belt and Road Initiative and green development, and practice green energy investing.

CEL successfully issued the first tranche of medium-term notes for 2022 in China’s interbank market, with an offering size of RMB3 billion, a coupon rate of 3.09% and a term of 3 years. It was the largest single tranche of panda bond issuance by a non-financial company in China’s domestic bond market this year.

- Everbright Overseas Infrastructure Investment Fund II received a capital commitment of US\$100 million from the Asian Infrastructure Investment Bank. Once approved, it is expected to be the first investment from a multilateral development bank in a fund managed by CEL, which will mark a new step forward for CEL in terms of international, professional and market-oriented operations.

Liyang Iopsilon Battery Material Technology Co., Ltd., a direct investee of CEL Jiangsu Liyang Fund-of-Funds (a fund managed by CEL), was accredited as one of the fourth batch of national specialised and new “Little Giant” enterprises.



The core technology of Ganzhou HPY Technology Co., Ltd. (“HPY Technology”), an investee of CEL Ganzhou Fund-of-Funds (a fund managed by CEL), was included in the Catalogue of Advanced and Applicable Technologies for Mineral Resource Conservation and Comprehensive Utilisation (2022) by the Ministry of Natural Resources, which proves that the key technology of HPY Technology is well recognised and industry-leading in China, and highlights the important role of key technologies in promoting the realisation of the goal of “carbon peaking and neutrality” and the green development of mining.



Everbright Group's affiliates in Hong Kong donated HK\$12 million to Hong Kong Community Anti-Coronavirus Link (HKCAACL), in a great effort to support Hong Kong's anti-COVID efforts. CEL actively participated in the donation to contribute to Hong Kong's fight against COVID-19.

HKCAACL sent a thank-you letter to CEL for its great support and generous donation of 200 air disinfection machines and other epidemic prevention supplies, which helped Hong Kong fight COVID-19 more effectively.



CEL participated in co-hosting the "Victoria Harbour Pop-up & Symphony Concert" to celebrate the 25th anniversary of Hong Kong's return to the motherland, thereby expressing its patriotic good wishes and love for Hong Kong and praying for prosperity of the motherland and Hong Kong opening a new chapter.

CEL, Hong Kong Youth Scientist Association, Greater Bay Area Common Home Development Fund and other institutions co-hosted the "Selection of Young Pioneers and Forum on Science and Technology Innovation" to celebrate the 25th anniversary of Hong Kong's return to the motherland, with an aim to commend young pioneers who have made outstanding contributions to the technology innovation ecosystem of Hong Kong and jointly promote the development of technology innovation in Hong Kong. 25 people, including the founder of DJI, were designated as "Young Pioneers of Science and Technology Innovation".



## LISTING PROJECTS COMPLETED IN 2022



ASR Microelectronics (688220.SH) was listed on the STAR Market of Shanghai Stock Exchange in January 2022



iSoftStone (301236.SZ) was listed on the ChiNext of the Shenzhen Stock Exchange in March 2022



CREDO (CRDO. NASDAQ) was listed on NASDAQ in January 2022



Recbio (02179.HK) was listed on the Main Board of the Hong Kong Stock Exchange in March 2022



Haitai Solar (835985) was listed on the Beijing Stock Exchange in August 2022



Giant Biogene (02367.HK) was listed on the Main Board of the Hong Kong Stock Exchange in November 2022



SatixFy (SATX) was listed on the American Stock Exchange in October 2022

## AWARDS AND HONOURS IN 2022

In 2022, CEL and its professional funds won a number of authoritative awards and honours in the industry for their excellent performance.



### Awards Received by the Company



CEL was awarded the titles of “Top 10 Most Popular Private Equity Funds Among LPs”, “Top 30 Private Equity Funds in the Guangdong-Hong Kong-Macao Greater Bay Area”, and “Top 50 State-owned Investors” by ChinaVenture for 2022

- CEL received the titles of “Top 100 Chinese Private Equity Funds” and “Top 50 Chinese State-owned Investor” for 2022 from Zero2IPO Group

CEL won the award of “Best Chinese State-owned Investor in 2022” from China Bridge





CEL received the title of “Top 30 Most Admired Private Equity Funds in China in 2022” from Cyzone

CEL was granted the title of “Top 20 Social Responsibility and Carbon Neutrality Investment Institutions” by FOFWEEKLY



CEL was selected among the “2022 Top 50 Influential PE Investment Institutions in China” by China Venture Capital Research Institute (“CVCRI”)

CEL was awarded the title of “Top 10 State-owned Direct Investment Institutions in 2022” by China-fof.com



### Awards Received by CEL’s Professional Funds and Important Platform Companies



CEL Fund-of-Funds (“FOF”): Received the titles of “Top 30 Chinese LPs”, “Top 30 Chinese FOFs”, “Top 30 Most Popular FOFs Among GPs”, and “Top 30 Venture Capital LPs in China” from ChinaVenture

Won the titles of “Top 20 State-owned Market-oriented FOFs with the Best Returns”, “Top 20 State-owned Market-oriented FOFs”, “Top 30 LPs of Chinese Equity Investment Institutions”, and “Top 30 State-owned LPs of Chinese Equity Investment Institutions” for 2022 from China-fof.com







- Awarded the title of “Top 20 Market-oriented LPs” by FOFWEEKLY
- Received the titles of “Top 10 Influential Market-oriented FOFs in China” and “Top 30 Influential LPs in China” for 2022 from CVCRI

Funds managed by China Everbright Assets Management Limited, a secondary market fund management platform:

- Everbright Convertible Bond Opportunity Fund received the “Best Asian Hedge Fund (3-year)” award from Insights & Mandates
- Everbright Convertible Bond Opportunity Fund received the “Best Asian Hedge Fund (5-year)” award from Insights & Mandates



CEL's S Fund was granted the title of “2022 China Best S Fund” by China Bridge



Everbright Belt & Road Green Fund was awarded the title of “Top 30 Most Promising FOFs in 2022” by China-fof.com

## Corporate Social Responsibility and Human Resources Awards



CEL and China Everbright Charitable Foundation were awarded the “Caring Company” and “Caring Organisation” logos for the 12th consecutive year



Awarded the “Happy Company 5 years+” logo for the 8th consecutive year



Awarded the “Sport-Friendly Action” Decal for the 3rd consecutive year

- Received the “Joyful@Healthy Workplace Best Practices Award (Enterprise/Organisation Category) - Excellent Organisation Award”

## CHAIRMAN'S STATEMENT

### Seeking Stable Progress amid Challenges and Becoming Stronger after 25 Years of Tough Grind



Both the global capital market and the private equity sector were under tremendous impact in 2022, and CEL also faced unprecedented challenges. Embracing the difficulties, the Company stuck to the keynote of stability, served the real economy, prevented and tackled risks, and firmly upheld strategic goals to reduce costs and boost efficiency, striving to lay a solid foundation for quality development.

#### **STEERING THROUGH UPS AND DOWNS TO CREATE VALUE AND ACHIEVE 25 YEARS OF GROWTH**

Being a cross-border investment and asset management company growing alongside Hong Kong, CEL has weathered many market cycles over the past 25 years, striving to become stronger. The Company has remained steadfast in its confidence and perseverance, continuously enhancing its core competitiveness and generating profits of more than HK\$40 billion for shareholders in aggregate. The Company embarked on the private equity business in 2004 and decided to transform towards engaging in fund management business in 2010, ushering in a rapid development phase

with asset management and principal investment as its core business. Since 2010, the AUM of funds under CEL has grown at a compound annual growth rate of approximately 25.8%.

#### **CRITICAL EXTERNAL ENVIRONMENT WITH RECESSION AFFECTING THE DEVELOPMENT OF THE INDUSTRY**

In 2022, with significant turbulence in the international financial markets, the global economy suffered from insufficient growth momentum and increased downside pressure. Under the influence of reduced external demand, waves of local COVID-19 outbreak, a downturn in the real estate market and other multiple adverse factors, China's private equity sector also faced critical challenges, with fundraising becoming increasingly difficult, a decrease in the number and volume of investments, and a slower investment exit pace, which put greater pressure on the valuation of the existing investments of CEL over the years and inevitably led to fluctuations in financial performance.

## UPHOLDING STRATEGIC GOALS TO CONTRIBUTE TO THE REAL ECONOMY AND NATIONAL STRATEGIES

CEL has always upheld its strategic goals, made its due contribution as a central SOE, aligned itself with national strategies, stayed bullish on the China market, insisted on investing in China with a promising future, actively put into practice the new national development concept, and was committed to making contribution to the real economy and national strategies. During the reporting period, CEL's principal investments and funds served and supported real economy investment and financing with a size of HK\$41.3 billion, of which the size of strategic emerging industries transformation and upgrading fund exceeded HK\$14.2 billion, the size of green low-carbon fund exceeded HK\$8.1 billion, and the size of investment funds in the three key regions, namely the Greater Bay Area, Yangtze River Delta and Beijing-Tianjin-Hebei, exceeded HK\$29.9 billion.

## FIRMLY GUARDING THE BOTTOM LINE OF RISK PREVENTION AND EFFECTIVELY ADDRESSING POTENTIAL RISKS AND HAZARDS

CEL has actively established a comprehensive risk management system tailored to the needs of cross-border investment and asset management business, improved the prospect of risk monitoring and the precision of risk assessment and gradually established a stability-oriented risk culture. During the reporting period, the Company conducted post-investment risk inspections of over 200 projects to monitor risks properly and performed regular stress tests to strictly control the use of funds and prevent potential liquidity risks.

## ENSURING INVESTMENT RETURNS AND PROACTIVELY CAPTURING EXIT WINDOWS OF PROJECTS

During the reporting period, the Company proactively captured exit windows of projects, and exited its investments in fund management business and principal investment business of approximately HK\$13.92 billion (with the share attributable to CEL of approximately HK\$7.96 billion), with an IRR of approximately 12% for projects exited as a whole, including successfully

transferred and exited its investment in the public transportation project in Norway under Everbright Overseas Infrastructure Investments Fund and its investment in the BPG project under CEL Global Investment Fund. Meanwhile, amidst the tremendous turbulence in the capital market, the seven investment projects of CEL (Recbio, Haitai Solar, iSoftStone, ASR Microelectronics, Credo, Giant Biogene, and SatixFy) went public by way of IPO in mainland China, Hong Kong and the United States, respectively.

## MAINTAINING BUSINESS STABILITY AND ACTIVELY PROMOTING NEW INVESTMENTS IN NEW FUNDS

During the reporting period, the Company overcame significant fundraising pressure and launched new funds with proceeds of approximately HK\$1.79 billion; steadily promoted the establishment of several new funds including the Zhejiang Manufacturing Sub-Fund and CEL Infrastructure Investment Fund II; prudently captured the windows of investing in new energy, semiconductors and other industries with new investments of approximately HK\$4.21 billion, of which IOPSILION, Ganzhou HPY and other high-quality investee companies were awarded national awards.

## GAINING RECOGNITION FROM THE INDUSTRY AND STEADILY BOOSTING THE COMPANY'S BRAND IMAGE

During the reporting period, CEL maintained its presence on the prestigious PEI 300 list and received awards including China's Most Popular PE Firms TOP10 by LPs and 2022 Top 20 Best Returns State-owned Direct Investment Institutions. Its FoF business was among the 2022 Best Returns State-owned Market-Oriented FoFs Top 20; its secondary market business, Everbright Convertible Opportunities Fund, was awarded Best Asian Hedge Fund (3-year) and Best Asian Hedge Fund (5-year). The Company was among the Top 20 Investment Institutions in Social Responsibility and Carbon Neutrality and was awarded other prestigious ESG awards in China. In the latest report released by MSCI, both the ESG rating and the score have improved, with the rating up from B to BB and the score up by 48% to 4.6.

## **SUPPORTING PEOPLE'S LIVELIHOOD AND WELL-BEING BY FULFILLING CORPORATE SOCIAL RESPONSIBILITY IN HONG KONG**

During the reporting period, the establishment of China Everbright Hong Kong Innovation Centre saw initial results, with many start-up technology and innovation enterprises settled in and the incubator scheme was over-subscribed. We also co-hosted activities including Selection of Youth Pioneers in Science and Innovation as well as Science and Innovation Forum; held the Heart-warming Campaign for Sending Warmth to Elderly Homes to support the anti-pandemic efforts in Hong Kong; and conducted activities such as a pop-up symphony concert at the Victoria Harbour, tram riding event to celebrate the 25th anniversary of Hong Kong's return to the motherland and Sunshine of My Life Screening Event to support charity initiatives in Hong Kong and in celebration of the 25th anniversary of the establishment of the Hong Kong Special Administrative Region.

Despite all the hurdles ahead of us, we are determined to stride forward from scratch. Marking the first year to fully implement the spirit of the 20th National People's Congress, 2023 is also a critical year to carry forward the 14th Five-Year Plan. With the anti-pandemic efforts entering a new era and the rapid resumption of work and normal life, CEL will rally its forces to transform crises into opportunities and to strike a balance between stability and progress.

## **CRISES—FIRMLY ADHERING TO THE BOTTOM LINE AND ACTIVELY RESPONDING TO THE COMPLEX EXTERNAL ENVIRONMENT**

The external market environment has remained severe and complex in 2023. Properly eliminating all sorts of potential risks and maintaining sound operations will remain the top priorities for CEL. The Company will step up its efforts to exit its existing investments and identify suitable exit windows for capital return; continue to reduce its exposure to certain sectors to prevent risks in its existing projects and monitor its liquidity and conduct stress tests to guard its bottom line of risk prevention continuously.

## **OPPORTUNITIES—FOCUSING ON PRINCIPAL BUSINESS AND SEIZING NEW OPPORTUNITIES FROM THE POST-PANDEMIC ERA**

In 2023, CEL will further focus on its principal business, steadily advance the establishment of high-quality funds and give priority to the development of the AUM of equity funds. Meanwhile, it will rationally integrate resources, build up project reserves and make sensible road-mapping in key areas. It will also focus on seizing opportunities from initiatives such as fostering development with domestic circulation as the mainstay and dual-cycle development, achieving carbon peak and carbon neutrality, advancing coordinated regional development and expanding domestic demand to fully explore high-growth investment opportunities.

## **STABILITY—CONSTANTLY BOOSTING THE EFFECTIVENESS OF INTERNAL MANAGEMENT**

CEL will further improve its internal management and strengthen the foundation of its development to improve internal management processes and boost management efficiency in 2023. The Company lives on a tight budget and controls its budget and expenses to further explore the potential for cost reduction and efficiency improvement. The Company maintains a stable talent pool, insists on building it along a market-driven, professional and international direction, steps up its efforts in training young employees and improves the building up of its talent echelon.

## **PROGRESS—DRAWING UPON ITS OWN ADVANTAGES TO CHART A QUALITY DEVELOPMENT PATH**

CEL is committed to seeking progress in stability, maintaining its development resilience and laying a solid foundation for quality development in 2023. The Company will fully leverage its cross-border advantages in mainland China and Hong Kong to facilitate the implementation of “bringing in and going out” policy and opening up to the outside world at a high level. It will further develop its ability to serve the real economy and national strategies and reflect CEL’s due contribution; actively participate in the establishment of ESG assessment system in equity investment in mainland China and Hong Kong, and effectively play a leading role.

Weathering the storm and striding forward with determination, the 25-year-old CEL is still young and strong, and there will be more challenges ahead. We believe that in the increasingly tough market environment, CEL can become stronger, steering through ups and downs and recreating brilliant success. We believe that with the support of Everbright Group, CEL can embrace difficulties, make further contributions and scale new heights. We also believe that with the unwavering support of shareholders and investors, CEL can create more value, generate more returns and gain further trust. On behalf of myself and the Board, I extend my sincere gratitude to all shareholders, customers and colleagues who care about and support CEL.

**Yu Fachang**  
*CHAIRMAN*  
17 March 2023

## MANAGEMENT DISCUSSION & ANALYSIS

In the face of complex and daunting challenges in 2022, 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

The international landscape was complex in 2022, complicated with frequent risk factors and decelerated global economic growth. Amid intense inflationary pressure, the American Federal Reserve, the European Central Bank and the Bank of England all accelerated the tightening of their monetary policies, raising interest rates by 425, 250 and 325 basis points in aggregate respectively during the year, which was the fastest pace of interest rate hikes by these central banks over the past two decades. Driven by the strong US dollar, the Hong Kong dollar, pegged to the US dollar exchange rate, strengthened as well, pushing the Hong Kong Interbank Offered Rate (“HIBOR”) to climb continuously. The data from the Hong Kong Association of Banks suggested that the one-month HIBOR related to lending rates hit a 14-year high. As a result of the surge in global interest rate hikes, the effective exchange rate index of RMB against a basket of currencies fluctuated downward as a whole. The data released by the China Foreign Exchange Trade System suggested that the RMB exchange rate index dropped from 102.47 at the end of 2021 to 98.67 at the end of 2022, representing a drop of 3.7% during the year, while the depreciation against the US dollar was even more substantial, with a drop of 8.3% during the year. The International Monetary Fund (IMF) downgraded its economic growth expectations several times during the year. Hit by the twists and turns of the pandemic, China secured its bottom line by securing employment, stabilising commodity prices and assuring people’s livelihood. China continued to optimize its economic structure and deepen its economic system reform, thus achieving 3% growth in the gross domestic product (“GDP”) for the year as a whole and strong resilience of its overall economic performance.

Major stock indexes around the world declined to vary degrees in 2022. The Dow Jones Industrial Average and the S&P 500 in the United States fell by 9% and 19% in aggregate respectively, while the French CAC40 index and the German DAX30 index of European stocks fell by 10% and 13% in aggregate respectively. In the China market, the Hang Seng Index fell by 15% in aggregate, the SSE Composite Index and the SZSE Component Index fell by 15% and 26% in aggregate respectively, while the NASDAQ Composite Index and the Hang Seng TECH Index, dominated by technology stocks, fell by 33% and 27% in aggregate respectively, which led to the fall in major global stock indexes.

The development of China’s domestic equity investment market was subject to greater downside pressure. According to Zero2IPO’s research data, 7,061 new equity investment funds were launched for raising proceeds in China, a year-on-year increase of 1.2%, but the total amount of proceeds raised was approximately RMB2,158.3 billion, a year-on-year decrease of 2.3%. In terms of investment, 10,650 investment cases were made in China’s equity investment market, involving a total amount of approximately RMB907.7 billion, a year-on-year decrease of 13.6% and 36.2% respectively. A total of 508 Chinese-funded companies were listed in China, Hong Kong and the United States during the year; the number of listed companies decreased by 21.2% year-on-year; and IPO amount was approximately RMB659.9 billion, a year-on-year decrease of 22.9%. Among these companies, 352 listed companies were backed by private equity institutions, with a penetration rate as high as 69.3%, illustrating that private equity institutions were one of the major boosters to support the growth and development of these companies.

## Financial Performance in 2022

### Income

Key Income Items (in HK\$ hundred million)	2022	2021	Change
Income from contracts with customers, mainly including:	8.43	6.59	28%
– Management fee income	2.66	3.40	(22%)
– Performance fee and consultancy fee income	3.90	1.32	195%
Net (loss)/income from investments, mainly including:	(58.86)	43.15	N/A
– Interest income	5.64	5.28	7%
– Dividend income	21.24	8.99	136%
– Realised gain on investments	0.46	3.79	(88%)
– Unrealised (loss)/gain on investments	(86.34)	24.81	N/A
Income from other sources	(0.75)	(2.77)	(73%)
Share of profits less losses of associates	6.17	12.29	(50%)
Share of profits less losses of joint ventures	0.17	0.59	(71%)
<b>Total amount of income</b>	<b>(44.84)</b>	<b>59.85</b>	<b>N/A</b>

During the reporting period, the Group's income from contracts with customers maintained a steady growth with an increment of performance fee and consultancy fee income. Mainly affected by a significant decrease in gain on investments and a decrease in share of profits less losses of associates, the Group's total amount of income<sup>2</sup> was a loss of HK\$4,484 million.

<sup>2</sup> Total amount of income is calculated as income from contracts with customers + net (loss)/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.



The year-on-year change in income was mainly due to the following factors:

- (1) In 2022, the Group's income from contracts with customers was HK\$843 million, representing a year-on-year increase of HK\$184 million. Specifically, management fee income was HK\$266 million, representing a year-on-year decrease of HK\$74 million. It was mainly because of the decline in the exchange rate of RMB and the maturity of certain funds, leading to the decline in AUM compared to the same period last year. Besides, certain primary market funds have entered the exit period or the extension period, leading to a decrease in management fee. Performance fee and consultancy fee income was HK\$390 million, representing a year-on-year increase of HK\$258 million, which was mainly due to a performance fee of HK\$125 million distributed by Everbright Overseas Infrastructure Investments Fund and a performance fee of HK\$217 million distributed by CEL Global Investment Fund.
- (2) The Group's net loss from investments was HK\$5,886 million, whereas net income from investments of HK\$4,315 million was recorded during the same period last year. Specifically, dividend income was HK\$2,124 million, representing a year-on-year increase of HK\$1,225 million, which was mainly due to the distribution of HK\$566 million from Everbright Overseas Infrastructure Investments Fund and the distribution of HK\$953 million from CEL Global Investment Fund. Realised gain on investments was HK\$46 million, representing a year-on-year decrease of HK\$333 million, which was mainly due to the influence of market environment factors causing the exit returns of certain projects failing to attain the expected level. Unrealised loss on investments was HK\$8,634 million, whereas an unrealised gain on investments of HK\$2,481 million was recorded during the same period last year. The loss was mainly attributable to: On Fund Management Business, (i) the unrealised loss of HK\$4,738 million from primary market investments, including unrealised loss on investments of HK\$1,861 million from the decrease in the net carrying value of Everbright Overseas Infrastructure Investments Fund and CEL Global Investment Fund as a result of the distribution of dividends and performance fees of the same amount, and the loss from primary market investments due to the decrease in market value or valuation of the projects invested (as at the end of 2021, the carrying value of primary market investments<sup>3</sup> was HK\$25,242 million); (ii) unrealised loss from the secondary market investments which were affected by the decrease in market price were approximately HK\$557 million (as at the end of 2021, the carrying value of the secondary market investments<sup>4</sup> was HK\$3,734 million); (iii) unrealised gain on FoFs investments was HK\$248 million (as at the end of 2021, the carrying value of FoFs investments<sup>3</sup> was HK\$7,526 million). On Principal Investments Business, unrealised loss from key investee companies was HK\$1,126 million (as at the end of 2021, the carrying value of key investee companies<sup>3</sup> was HK\$4,295 million) and unrealised loss on the financial investments was HK\$2,461 million (as at the end of 2021, the carrying value of financial investments<sup>4</sup> was HK\$12,034 million). It was mainly due to the decrease in the valuation of certain projects invested.
- (3) During the reporting period, the Group's share of profits less losses of associates was HK\$617 million, representing a year-on-year decrease of HK\$612 million, mainly due to a decrease in the profit attributable to the associates, Everbright Securities and CALC, of HK\$187 million and HK\$186 million, respectively.

Income from Key Business Segments (in HK\$ hundred million)	2022	2021
– (Loss)/income from Fund Management Business	(23.49)	38.81
– (Loss)/income from Principal Investments Business	(21.35)	21.04
<b>Total amount of income</b>	<b>(44.84)</b>	<b>59.85</b>

By business segment, the loss from Fund Management Business of the Group during the reporting period was HK\$2,349 million, whereas an income of HK\$3,881 million was recorded during the same period last year. It was mainly because the Group used seed capital to invest in the managed funds and there was a decrease in the valuation of certain projects due to a continuous fluctuation in the capital market, forming an unrealised loss of approximately HK\$5,047 million. The loss from Principal Investments Business was HK\$2,135 million, whereas an income of HK\$2,104 million was recorded during the same period last year. It was mainly due to the market downturn, leading to a decrease in the valuation of principal investment projects and forming an unrealised loss of approximately HK\$3,587 million.

<sup>3</sup> The carrying value of primary market investments, FoFs investments and key investee companies here represent financial assets at fair value through profit or loss.

<sup>4</sup> The carrying value of secondary market investments and financial investments here represent trading securities and financial assets at fair value through profit or loss.

Earned Management Fee Income <sup>5</sup> (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	2.07	1.01	2.63	0.14	5.85
Secondary market	0.36	0.23	–	0.12	0.71
FoFs	0.23	0.98	–	0.03	1.24
<b>Management fee income</b>	<b>2.66</b>	<b>2.22</b>	<b>2.63</b>	<b>0.29</b>	<b>7.80</b>

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. Earned Management Fee Income refers to the management fee income received by the Group as the fund manager in accordance with relevant agreements of fund management.

During the reporting period, management fee income as presented in the financial report was HK\$266 million. After making adjustments<sup>6</sup> 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 (the total amount of three adjustments was HK\$514 million), Earned Management Fee Income of the Group was HK\$780 million, representing a year-on-year decrease of 21%. Specifically, Earned Management Fee Income of primary market was HK\$585 million, representing a year-on-year decrease of 21%; Earned Management Fee Income of secondary market was HK\$71 million, representing a year-on-year decrease of 26%; and Earned Management Fee Income of FoFs was HK\$124 million, representing a year-on-year decrease of 12%. The decrease in management fees was mainly due to the unfavourable difference in statement translation when RMB assets were converted into Hong Kong dollars as the reporting currency and certain funds have entered the exit period or extension period.

## Profit

Profit in Key Business Segments (in HK\$ hundred million)	2022	2021	Change
(Loss)/profit from Fund Management Business	(38.10)	28.42	N/A
(Loss)/profit from Principal Investments Business:	(31.93)	17.71	N/A
– Key investee companies	(12.23)	8.29	N/A
– Financial investments	(30.45)	(3.36)	806%
– Cornerstone investments	10.75	12.78	(16%)
Less: Unallocated corporate expenses, taxes and profit attributable to holders of senior perpetual capital securities	(4.40)	(20.40)	(78%)
<b>(Loss)/profit attributable to shareholders of the Company</b>	<b>(74.43)</b>	<b>25.73</b>	<b>N/A</b>

<sup>5</sup> The Earned Management Fee Income is a measure used by the management of the Group for monitoring business performance and financial position. It may not be comparable to similar measures presented by other companies.

<sup>6</sup> 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 is 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 the share of profits of associates of the Group; and (c) other accounting adjustments.

During the reporting period, the loss attributable to shareholders of the Company was HK\$7,443 million, whereas profit of HK\$2,573 million was recorded during the same period last year. Reasons for loss:

- (1) Loss from Fund Management Business was HK\$3,810 million, whereas profit of HK\$2,842 million was recorded during the same period last year, mainly because the Group used seed capital to invest in the managed funds while the market value or the valuation of investment projects held by funds as of 31 December 2022 was reduced compared with the end of 2021, causing an unrealised loss on investments of HK\$5,047 million.
- (2) Loss from Principal Investments Business was HK\$3,193 million, whereas profit of HK\$1,771 million was recorded during the same period last year. It was mainly due to the decrease in the valuation of certain projects invested and a slight decrease in the profit and dividend income contribution from the Group's equity interests of Everbright Securities and China Everbright Bank respectively.

## Dividend

Per share (HK\$)	2022	2021	Change
(Loss)/earnings per share	(4.42)	1.53	N/A
Interim dividend per share	0.15	0.28	(46%)
Final dividend per share	0.15	0.30	(50%)
Total dividend per share	0.30	0.58	(48%)

Although the Group recorded an unrealised loss on investments and a net loss due to a decrease in the valuation of investment projects during the reporting period, the unrealised loss on investments did not impose a direct impact on the Group's cash flow. During the reporting period, project exit and capital withdrawal of the Group were sound with sufficient liquidity and the overall financial, business and operating conditions remained stable. Following the practice of sharing the Company's operating results with shareholders, the Board declared a final dividend of HK\$0.15 per share for 2022 (2021 final dividend: HK\$0.30 per share).

## Key Financial Ratios

Key Financial Data <sup>7</sup>	2022	2021	Change
Gearing ratio <sup>8</sup>	86.9%	68.4%	+18.5 ppt
Debt-to-asset ratio <sup>9</sup>	55.2%	49.9%	+5.3 ppt
Current ratio <sup>10</sup>	109.8%	106.2%	+3.6 ppt

The Group executed refined cost control to reduce carbon emissions at the operation level and boosted operating efficiency through technological and electronic means. Operating costs<sup>11</sup> for 2022 amounted to HK\$920 million, representing a year-on-year decrease of 13.8%.

As at the end of December 2022, the gearing ratio of the Group was 86.9%, representing an increase of 18.5 ppt compared to the end of last year. This was mainly attributable to a significant decrease in the Group's total equity from HK\$51.04 billion at the end of last year to HK\$37.88 billion at the end of 2022 due to the impact of the operating loss for the period, the exchange difference arising from the translation of financial statements due to the depreciation of RMB against the Hong Kong dollar, the decline in the share price of its holdings in China Everbright Bank and the distribution of dividends, leading to a passive increase in the gearing ratio. Total interest-bearing liabilities at the end of 2022 were HK\$32.9 billion, representing a decrease of HK\$2 billion from HK\$34.9 billion at the end of last year.

<sup>7</sup> Gearing ratio, debt-to-asset ratio and current ratio are the measures used by the management of the Group for monitoring business performance and financial position. These may not be comparable to similar measures presented by other companies.

<sup>8</sup> The gearing ratio is calculated as interest-bearing debt (including bank loans + notes payable + bonds payable)/total equity x 100%

<sup>9</sup> Debt-to-asset ratio is calculated as total liabilities/total assets x 100%

<sup>10</sup> The current ratio is calculated as current assets/current liabilities x 100%

<sup>11</sup> Operating costs include staff costs, depreciation and amortisation expenses and other operating expenses.

As at the end of December 2022, the Group had cash and cash equivalents of approximately HK\$8.2 billion and unutilised bank facilities available for use of approximately HK\$12 billion, representing sufficient liquidity and a sound overall financial condition.

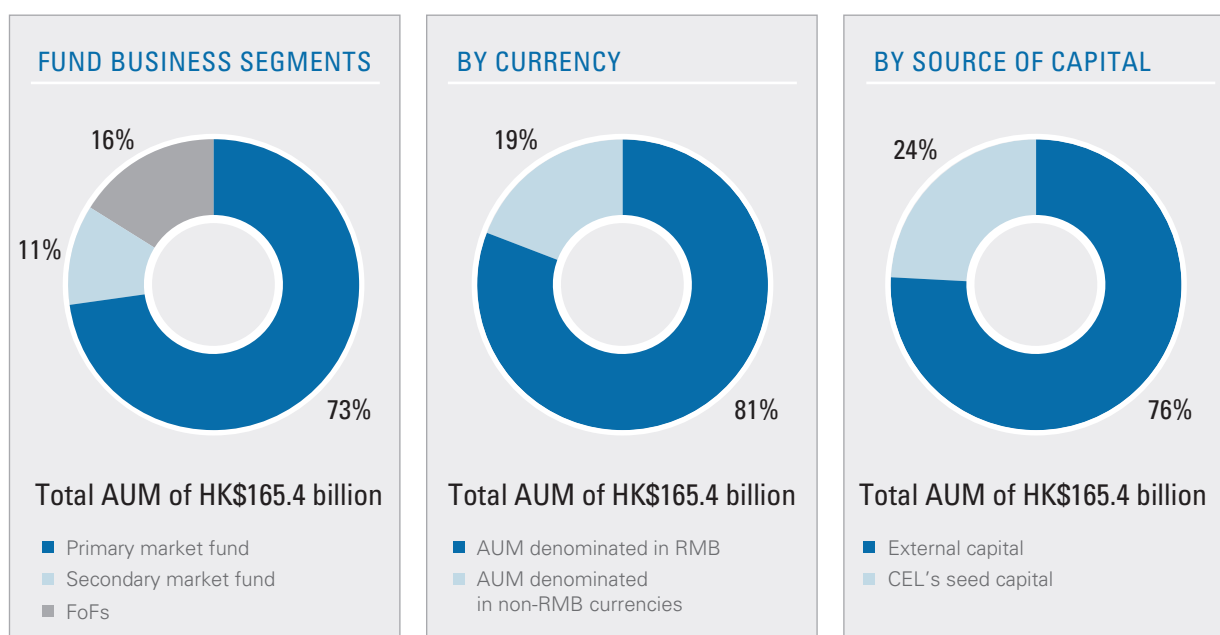
## Business Performance Analysis

### Fund Management Business

In 2022, the Group continued to facilitate fundraising and maintained its market position as a leading fund management institution in China. The total AUM of the Group's funds reached approximately HK\$165.4 billion as at 31 December 2022, representing a decrease of HK\$37.6 billion compared to the end of last year. During the year, two new primary market funds were established, with proceeds of approximately HK\$1.1 billion. The decrease in AUM was attributable to, firstly, the decline in the exchange rate of RMB, resulting in a decrease in AUM of approximately HK\$11.6 billion in Hong Kong dollar terms; secondly, the AUM of secondary market funds decreased due to the impact of fund redemptions and the decrease in net asset value of secondary market funds; and thirdly, the decrease in AUM due to the maturity of certain funds.

The source of funding of the Group's funds is extensive, where external investors are 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\$134.5 billion and HK\$30.9 billion, accounting for 81% and 19% of the total amount, respectively. In terms of the nature of funds, the Group's Fund Management Business managed 45 primary market funds, 27 secondary market funds and accounts and 8 FoFs products.

During the reporting period, the Group tailored to the circumstances to make prudent investment decisions to sensibly exit from prevailing projects. The Fund Management Business made contributions of approximately HK\$3.7 billion to a total of 41 projects, and exited, fully or partially, from 66 projects, recording a cash inflow of approximately HK\$12.4 billion.



## Primary Market Funds

As at 31 December 2022, 45 primary market fund products were under the management of the Group, with an aggregate AUM equivalent to approximately HK\$120.5 billion, out of which amounts equivalent to approximately HK\$98.6 billion and approximately HK\$21.9 billion were denominated in RMB and other currencies, accounting for 82% and 18% of the total amount, respectively.

From the fundraising perspective, the newly launched Capital CEL Specialised and New Enterprises Fund and Nanjing Direct Investment Fund for Belt & Road Green Fund raised additional proceeds of HK\$1.1 billion. Several funds were in the fundraising stage with progressive results. In particular, AIIB has approved to commit US\$100 million in CEL Infrastructure Investment Fund II.

From the investment perspective, the Group focused on fields such as technology, environmental protection and advanced manufacturing, and invested in green energy enterprises, including CNNP Rich Energy, Delan Minghai, Yingzhen Technology, etc., and new economy technology enterprises, including Denglin Technology, GZ Luxvisions, etc.

From the exit perspective, the Group combined transfer, IPO and other diversified exit channels. In particular, it exited the Norwegian public transportation project and BPG project, a manufacturer of automotive inspection systems and advanced equipment through overseas transfer to generate a satisfactory return on investment and cash inflow for the Group. Its funds invested in projects, namely Credo Technology, SatixFy, ASR Microelectronics, iSoftStone and Haitai Solar, and they were listed on the NASDAQ in the US, Shanghai Stock Exchange STAR Market, Shenzhen Stock Exchange ChiNext Board and Beijing Stock Exchange respectively.

## Secondary Market Funds

As at 31 December 2022, CEL's secondary market business managed a total of 27 funds and accounts with AUM in terms of net worth of funds of approximately HK\$19.1 billion. In terms of product categories, fixed-income products and equity products accounted for 87% and 13% of the total AUM respectively.

By leveraging on its investment capabilities, CEL's secondary market funds have built a one-stop product business portfolio with years of cross-border experience, which covers Asian credit bond hedge funds, Asian convertible bond hedge fund, offshore Greater China equity hedge fund, onshore A+H shares long-only strategies funds (including private fund managers and institutional investors) and investment advisory business. CEL has a well diversified fixed income product line covering offshore funds, QFII & RQFII managed accounts, offshore managed accounts and asset securitisation products. Everbright Convertible Opportunities Fund, a flagship Asian convertible bond product, delivered sound results during the reporting period. The fund received the "Best Asian Hedge Fund (3-year)" and "Best Asian Hedge Fund (5-year)" awards by the 2022 I&M Professional Investment Award, demonstrating the recognition of the team's investment capability and comprehensive strength by independent ranking agencies. China Everbright Assets Management being an investment advisor to Everbright Income Focus Fund, a public bond fund in Hong Kong, which has awarded a five-star rating (the highest rating) by Morningstar, an authoritative fund rating agency, for overall rating and in three-year rating, for its superior performance and risk-adjusted returns.

## Fund of Funds

CEL's FoFs not only invested in external funds with proven track records and robust governance, but also invested in funds launched and managed by CEL, and co-invested or directly invested in equity projects. As at 31 December 2022, CEL's FoFs team managed 8 FoFs with an AUM of RMB23.1 billion, equivalent to approximately HK\$25.9 billion.

In 2022, 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. As at the end of December 2022, there were 95 invested projects (sub-funds and direct investment projects) under the FoFs, and a total of 86 investees in the underlying projects of invested sub-funds and direct investment projects under the FoFs were listed. During the reporting period, 23 new enterprises were listed, including 21 underlying projects of sub-funds and two direct investment projects. The two direct investment projects were Rechio and Giant Biogene listed on the Stock Exchange of Hong Kong.

During the reporting period, due to its outstanding performance, CEL's FoFs were awarded "2022 China's Best FoFs Top 30", "2022 China's Most Popular FoFs Top 30 among GPs" and "2022 China's Best Venture Capital LP Top 30" by ChinaVenture; "2022 Best LPs in China's PE Investment Market Top 30" by Zero2IPO; "2022 Best Returns State-owned Market-oriented FoFs Top 20" by china-fof.com, and was named the "Nansha Merchants Ambassador" of the 8th Guangzhou Annual Investment Conference in 2022.

### Real Estate Investment and Asset Management Business

As at 31 December 2022, CEL held 29.17% equity interest in Everbright Jiabao, an A-share listed company (stock code: 600622.SH), as its largest shareholder. Everbright Jiabao managed 36 projects through EBA Investments, with AUM of approximately RMB45.5 billion, equivalent to approximately HK\$50.9 billion. In 2022, Everbright Jiabao/EBA Investments adhered to the overall strategy of stable operation and continued to optimise the operating condition of projects under management and endeavoured to boost the operating and management standards of projects. As at the end of 2022, EBA Investments and its subsidiaries managed a total of 24 commercial projects of IMIX Parks in China through fund investment or entrusted management, primarily located in major cities of various provinces in China. In addition, EBA Investments continued to bolster the real estate asset securitisation business and issued securities under "Everbright Securities Asset Management – EBA Commercial Real Estate Phase 4 Asset-backed Special Plan" during the reporting period. During the reporting period, EBA Investments was ranked first in the "2022 Top 10 Funds in Terms of Comprehensive Strength among China Real Estate Funds" jointly appraised by the China Enterprise Evaluation Association, Property Research Institute of Tsinghua University and Beijing China Index Academy for eight consecutive years.

### Principal Investments Business

The Group strives to achieve the following 3 objectives through its principal investments: (1) key investee companies: investing in and fostering enterprises with synergy between industry and finance and 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 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 the end of 2022, the principal investments business managed 68 post-investment projects with an aggregate carrying amount of approximately HK\$34.9 billion. Among these projects, the total carrying amount of equity interest held in CALC, Everbright Senior Healthcare and Terminus was approximately HK\$5.5 billion; the fair value of financial investments was approximately HK\$11.3 billion; the fair value of the cornerstone investments in China Everbright Bank was HK\$5.4 billion, and the carrying amount of Everbright Securities accounted for as an associate was HK\$12.7 billion.

Principal investments (in HK\$ hundred million)	2022	2021
– Key Investee Companies	55	70
– Financial Investments	113	151
– Cornerstone Investments	181	199
<b>Total</b>	<b>349</b>	<b>420</b>

### Key Investee Companies

#### CALC

As at 31 December 2022, CEL held 38.08% of the equity interest in CALC (stock code: 1848.HK), as its largest shareholder. CALC 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 a strong capability and rich experience in financing both domestically and abroad. As at 31 December 2022, CALC had a fleet of 176 aircraft with an increase of 24 aircraft from the end of 2021, consisting of 150 owned aircraft and 26 managed aircraft. CALC's owned and managed aircraft are leased to 38 airlines in 17 countries and regions.

### Everbright Senior Healthcare

Everbright Senior Healthcare seized the development opportunities in China's healthcare industry. In addition to effectively responding to the epidemic and fully safeguarding the health of the elderly residents and our staff, it constantly optimized the three-level elderly service model featuring institutional, community-based, and in-home elderly services, improved the ability of "Medical + Senior Healthcare", "Insurance + Senior Healthcare" and "Service + Senior Healthcare", and became a first-class healthcare service provider in China with strong presence and competitiveness in the senior healthcare segment. As at 31 December 2022, Everbright Senior Healthcare has 194 institutional and community service centers covering 54 cities across the country, forming a deployment covering the Beijing-Tianjin-Hebei region, Yangtze River Delta, and Chengdu-Chongqing Economic Circle, with more than 34,000 beds under management. Everbright Senior Healthcare has a good brand reputation in the market in terms of professional senior healthcare services, stringent quality control, convenient services, and diversified senior healthcare experiences, has been highly acclaimed by its customers, its peers and the government, and continues to rank the top position in the industry.

### Terminus

During the reporting period, Terminus's pace of smart city business deployment slowed down because of the epidemic. Faced with intensified competition in the artificial intelligence industry, coupled with China's ever-evolving laws and regulations on privacy and data protection, Terminus experienced challenges in its phased development. Terminus highly regarded R&D investment and officially announced the TacOS 3.0 cloud edge integration product matrix, which has the digital intelligence to support multi-scale scenes of buildings, communities, parks and cities, comprehensively promote the intelligent development of cities in all areas, in all quantities and at all hours, and provides cities with a super technology base and an enabling platform. Meanwhile, 3 world-renowned scientists joined Terminus, bringing together technical elites in related fields. Terminus has been making breakthroughs in AI research and development and many of its research results have been accepted and published by CVPR (Conference on Computer Vision and Pattern Recognition), a summit in the field of artificial intelligence. It has been carrying out special technology research in AIoT, carbon neutrality, and other areas and implementing the promotion of five national topics and the successful commissioning of five joint laboratories. Terminus was highly recognised by the industry given the fact that it was selected as the Top 100 Unicorns in 2022 by CCID Technology (賽迪科創) and Top 100 Value Companies in 2021 by Investscn (投資家), received the "Ecosystem Brand Certification" in 2022 from Caijing Magazine, and was listed in ESG Innovative Enterprise of the Year by TMTPost.

### Financial Investments

CEL's financial investments funded by its own capital cover the following aspects: (1) based on the investment/co-investment opportunities brought by the Group's funds and extensive business network, investing in the equity or debt of unlisted companies; (2) investing in structured financing products with balanced returns and liquidity. As at 31 December 2022, CEL's financial investments amounted to HK\$11.3 billion in various sectors including real estate, new economy and technology, artificial intelligence and advanced manufacturing, and green investments, with the aggregate valuation of the top 10 projects amounting to HK\$7.1 billion.

### Cornerstone Investments

As at 31 December 2022, the carrying amount of a certain portion of 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 47.7% and 21.4% 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 2022, the Group held 956 million A-shares in Everbright Securities, representing 20.73% of its total share capital, with an investment cost of HK\$1,497 million. Everbright Securities is accounted for as an associate of the Group. The carrying value of the shares held by the Group was HK\$12.7 billion, accounting for 33.4% and 15.0% of the Group's net assets and total assets respectively. Based on the closing price of RMB14.87 per share as at 31 December 2022, the fair value of the shares in Everbright Securities held by the Group was HK\$15.9 billion. During the reporting period, the Group's share of profit from Everbright Securities as an investment in associate was HK\$688 million, representing a year-on-year decrease of 21.4%.

### 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 2022, 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 are accounted for as equity investments designated at fair value through other comprehensive income. Based on the closing price of RMB3.07 per share as at 31 December 2022, the carrying amount and fair value of the shares in China Everbright Bank held by the Group amounted to HK\$5.4 billion, accounting for 14.3% and 6.4% of the Group's net assets and total assets respectively. During the reporting period, the Group's income from China Everbright Bank was HK\$372 million, representing a year-on-year decrease of 7.5%.

## OUTLOOK

Looking forward to 2023, the global market liquidity will remain tight, and macroeconomic monetary policies will continue to affect asset prices. In its latest Global Economic Outlook report, the World Bank lowered the global economic growth forecast for 2023 to 1.7%. The Fed's aggressive rate hikes are peaking, but the central banks of developed countries are expected to maintain a tight monetary policy for a long time, which will put sustained pressure on financial asset prices. The impacts of high inflation and the Russia-Ukraine conflict will be prolonged and international trade will still be under great pressure, while the U.S. economic resilience and China's economic recovery will provide support for the world economy. As such, it is expected that the global economy will remain weak in the first half of the year, possibly with further contraction of demand and output. As countries expect to usher in a turning point in monetary policy, it is expected that policy focus will shift to promoting economic growth, which will improve the financing environment and liquidity and thus drive a rebound in economic growth in the second half of the year.

Currently, China has ample fiscal policy space, and the economy is rapidly recovering after the adjustment of COVID policies. Driven by consumption recovery, asset prices in the real economy are expected to stabilise and rebound. At the same time, China's private equity market has entered a new stage of accelerating the survival of the fittest with growing market concentration. As the reform and innovation of the equity market continue with growing openness, China's private equity market size and its percentage in GDP still have much room for growth.

Based on the above insight and judgment on macroeconomic and industry development, in 2023, the Group will face up to challenges, stick to the key principle of maintaining stability, and leverage the unique geographical advantages of Hong Kong as an international financial centre and the beneficiary of "One Country, Two Systems" and its access to cross-border resources to promote the high-quality development of fund management business and the comprehensive improvement of professional investment capabilities.

**In terms of fundraising, we will facilitate the implementation of fundraising and develop fund products with a focus on advantageous industries.** We will strive to develop a one-stop product portfolio with hit products, gradually lower the percentage of our principal investments in the funds under our management, and promote the cross-market expansion of U.S. dollar funds and RMB funds. **In terms of investment, we will increase our pipeline of projects with core competitiveness, and explore investment opportunities at home and abroad.** After the correction of global asset prices, the private equity industry will usher in more investment opportunities. With a focus on industries with competitive advantages, particularly technological innovation companies, specialised and new enterprises, consumer goods and environmental companies, we will concentrate on the core business growth potential of investees, conduct



in-depth research on policies and industries, and enrich the pipeline of projects on the basis of selecting the best from the good and consistently applying prudent investment strategies. **In terms of management, we will continue to strengthen post-investment management and risk prediction, monitoring and prevention.** Based on a professional, stable and transparent valuation system, we will build a comprehensive risk management system suitable for cross-border investment and asset management business, prevent and control risks in a forward-looking manner, and refine risk assessment, with a view to eliminating major risks. **In terms of investment exit, we will maintain a variety of exit channels and choose to exit at the right time and in the right way.** We will continue to increase efforts to exit from existing investment projects through M&A, transfer and IPO, so as to recover funds and facilitate value re-creation in the post-investment management and exit stage. Focusing on the core value of each project and based on professional market analysis, we will capitalise on the long investment cycle of the private equity industry to explore better exit strategies.

Over the past 25 years, the Group has been firmly committed to long-term investment strategy and going deep in promising specialised industries. The Group has gone through multiple economic and industry cycles and built valuable and rich management experience and a solid track record. In the future, we will uphold the business philosophy of “seeking progress while maintaining stability” to address “risks” and “opportunities” and coordinate “stability” and “progress”, continue to expand AUM to increase the contribution of management fee income, and re-achieve efficient value creation through precise investments and reliable exits. In addition, we will continue to develop an asset-liability structure with sufficient liquidity, and further enhance dividend-paying ability to share the fruits of the Group’s development with shareholders and investors.

## FINANCIAL POSITION

As at 31 December 2022, the Group’s total assets amounted to HK\$84.477 billion (31 December 2021: HK\$101.794 billion) with net assets amounting to HK\$37.877 billion (31 December 2021: HK\$51.037 billion). Equity attributable to the Company’s shareholders was HK\$34.489 billion (31 December 2021: HK\$46.936 billion) and equity attributable to shareholders of the Company per share was HK\$20.47 (31 December 2021: HK\$27.85).

## FINANCIAL RESOURCES

The Group adopts a prudent approach in liquidity management to ensure liquidity risk control and reduce the cost of funds. The Group finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 31 December 2022, the Group had cash and bank balances of HK\$8.236 billion (31 December 2021: HK\$7.155 billion). Currently, most of the Group’s cash is denominated in Hong Kong dollars and Renminbi.

## BORROWING

As at 31 December 2022, the Group’s interest-bearing borrowings amounted to HK\$32.914 billion (31 December 2021: HK\$34.931 billion). The Group will review and ensure sufficient banking facilities to reserve resources to support its business development. As at 31 December 2022, the Group had banking facilities of HK\$32.875 billion (31 December 2021: HK\$31.906 billion), of which HK\$11.958 billion (31 December 2021: HK\$10.040 billion) had not been utilised. The banking facilities were of one to ten years terms. The Group had an outstanding bank loan of HK\$20.917 billion (31 December 2021: HK\$21.866 billion), which decreased by HK\$0.949 billion compared with 31 December 2021, of which HK\$18.591 billion (31 December 2021: HK\$19.016 billion) was unsecured. The Group had issued corporate bonds with an outstanding principal amount of HK\$11.997 billion (31 December 2021: HK\$13.037 billion). The interest-bearing borrowings were denominated in Renminbi, Hong Kong dollars and United States dollars, representing 46%, 46%, 8% of the total respectively. As at 31 December 2022, approximately 62% of the Group’s total principal amount of borrowing were at floating rates and the remaining 38% were at fixed rates. The maturity profile of the Group’s borrowings is set out in note 19 of the Notes to the Financial Statements in this report.

## PLEDGE OF ASSETS

As at 31 December 2022, restricted deposits of HK\$664 million (31 December 2021: nil) were pledged to a bank to secure a banking facility granted to the Group. Restricted bank balances of HK\$46 million (31 December 2021: HK\$49 million) were pledged to the banks for sales of mortgaged properties to customers and interest reserve account on borrowings, and HK\$244 million (31 December 2021: HK\$212 million) were used to secure certain bonds payable of the Group. Investment properties, property, plant and equipment, inventories and stocks with carrying values of HK\$4,362 million (31 December 2021: HK\$4,759 million), HK\$23 million (31 December 2021: HK\$23 million), HK\$383 million (31 December 2021: HK\$438 million) and HK\$1,563 million (31 December 2021: HK\$1,650 million), respectively, and were 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 2022, assets deposited with the prime brokers included HK\$1,514 million (31 December 2021: HK\$1,618 million) and HK\$0.5 million (31 December 2021: HK\$89 million) which formed part of the Group's trading securities and debtors respectively. Analysis on collateral of the Group's bank loans and bonds payable is set out in note 26 and note 28 of the Notes to the Financial Statements in this report.

## EMPLOYEES

As at 31 December 2022, the Group's headquarters and wholly owned subsidiaries had 273 (31 December 2021: 282) full-time employees. The Group ensures that the remuneration packages for employees are fair and competitive and are determined by position, duties, experience and performance of employees. Other benefits to employees include medical insurance, retirement scheme and training programmes.

## EBA YIDA

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 reporting period:

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 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 66 to 74 and Note 39 of the Notes to the Financial Statements in this Annual Report.

By order of the Board  
**China Everbright Limited**  
**Zhang Mingao**  
*Executive Director and President*  
 Hong Kong, 17 March 2023

# 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 2022.

## CORPORATE CULTURE AND STRATEGY

CEL has set out its Purpose, Vision and Values, details of which are available on the Company’s website. The Company’s purpose is to be “China’s cross-border asset management industry pioneer”. With over 25 years’ experience in cross-border asset management and PE investments, the Board is committed to maintaining the development requirements of the Company and promoting a positive and progressive culture to its stakeholders to achieve its purpose. The Company’s Vision is “To innovate the asset management industry by creating leading-edge investment solutions.” CEL’s understanding of clients’ experience and its long-term investment philosophy provides favourable conditions to achieve higher returns. The Company’s Value (Corporate Philosophy) is “The Power to Transform – Focus and long-term drive, Transforming challenge into opportunities.” With a firm footing in Hong Kong – a true bridge between East and West – an international platform, and specialised sector focused teams, CEL is well-positioned to take advantage of the long-term opportunities presented by changes in the global markets, to respond flexibly, and to become a pioneer in Chinese cross-border investment and asset management.

## 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

- Mr. Zhang Mingao (President)
- Mr. Wang Hongyang
- Mr. Yin Yanwu

#### NON-EXECUTIVE DIRECTORS

- Mr. Yu Fachang (Chairman)
- 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, experiences and gender diversity) 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.

According to the Nomination Policy of the Company, 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 2022, the Board comprised eight males and one female and the senior management of the Group (excluding the Executive Directors) comprised three males and one female; and among the 273 full-time employees of the Group's headquarters and wholly-owned subsidiaries, the ratio of male to female staff was 1.1:1. 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 review the Board Diversity Policy from time to time and will consider setting of any measurable objectives for achieving gender diversity (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 89 to 92 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;
- supervises the management of the business and affairs of CEL with due regard to maximizing Shareholders' value; 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;
- Climate Change 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 Mr. Yu Fachang, a non-executive Director, and Mr. Zhang Mingao, an executive Director, 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, Mr. Yu 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. Mr. Zhang Mingao, the President, serves as the Chairman of the Management Decision Committee. The Vice Presidents and other Management Decision Committee members assist the President in carrying out the work and is responsible for the relevant daily management matters.

The Terms of Reference of the Board, as updated from time to time, are published on the Company's website [www.everbright.com](http://www.everbright.com) and the website of the Stock Exchange. 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 Reference 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 2022:

DIRECTORS	TYPE OF TRAINING
<b>EXECUTIVE DIRECTORS</b>	
<ul style="list-style-type: none"> <li>▪ Zhang Mingao</li> <li>▪ Wang Hongyang</li> <li>▪ Yin Yanwu</li> </ul>	<ul style="list-style-type: none"> <li>A, B, C</li> <li>A, C</li> <li>A, C</li> </ul>
<b>NON-EXECUTIVE DIRECTORS</b>	
<ul style="list-style-type: none"> <li>▪ Yu Fachang</li> <li>▪ Pan Wenjie</li> <li>▪ Fang Bin</li> </ul>	<ul style="list-style-type: none"> <li>A, B, C</li> <li>A, C</li> <li>A, B, C</li> </ul>
<b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b>	
<ul style="list-style-type: none"> <li>▪ Lin Zhijun</li> <li>▪ Chung Shui Ming Timpson</li> <li>▪ Law Cheuk Kin Stephen</li> </ul>	<ul style="list-style-type: none"> <li>A, B, C</li> <li>A, C</li> <li>A, B, C</li> </ul>

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 regular meeting of the Board committees was planned and approved by the Board in the preceding year. Unscheduled supplementary meetings (if any) 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 and INEDs, 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 committees meetings contain detailed records of all the issues considered and the decisions made by the Directors/respective Board committees members. The minutes, upon reviewed by all the Directors/respective Board committees members and signed by the Chairman of the Board/chairman of the respective Board committees in next meeting, are properly kept by the office of the Company Secretary or the designated secretary. The Company Secretary or the designated secretary reported matters arising from the previous Board/Board committees 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 arranges a meeting annually 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 committees meetings as well as the general meetings of the Company in 2022 is set out below:

DIRECTORS/MEMBERS	BOARD MEETING	AUDIT & RISK MANAGEMENT COMMITTEE MEETING	NOMINATION COMMITTEE MEETING	REMUNERATION COMMITTEE MEETING	ESG COMMITTEE MEETING	GENERAL MEETING
■ Yu Fachang <sup>1</sup>	6/6	N/A	N/A	1/1	N/A	N/A
■ Zhang Mingao	8/8	N/A	N/A	N/A	3/3	1/1
■ Wang Hongyang <sup>2</sup>	8/8	N/A	N/A	N/A	2/2	1/1
■ Yin Yanwu	8/8	N/A	N/A	N/A	N/A	1/1
■ Pan Wenjie	5/8	N/A	N/A	N/A	N/A	1/1
■ Fang Bin <sup>3</sup>	8/8	N/A	N/A	N/A	2/2	1/1
■ Lin Zhijun	8/8	7/7	2/2	3/3	N/A	1/1
■ Chung Shui Ming Timpson	8/8	7/7	2/2	3/3	N/A	1/1
■ Law Cheuk Kin Stephen	8/8	7/7	2/2	3/3	3/3	1/1
■ Zhao Wei <sup>4</sup>	2/2	N/A	N/A	N/A	1/1	1/1

### Notes:

- Mr. Yu Fachang was appointed as the Chairman of the Board and a Non-executive Director, and was also appointed as a member of the Nomination Committee and the Remuneration Committee, with effect from 21 June 2022.
- Mr. Wang Hongyang was appointed as a member of the ESG Committee with effect from 21 June 2022.
- Mr. Fang Bin was appointed as a member of the ESG Committee with effect from 17 March 2022.
- Dr. Zhao Wei resigned as the Chairman of the Board and an Executive Director, and also ceased to be the Chairman of the ESG Committee, with effect from 21 June 2022.

Every Director performs his/her 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. Directors disclosed to the Company each year the number and nature of offices they 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 carrying out its relevant responsibilities, including the Executive Board 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 Board Committee

The Executive Board Committee currently consists of all of the three Executive Directors, including Mr. Zhang Mingao, Mr. Wang Hongyang and Mr. Yin Yanwu. Mr. Zhang Mingao, the President, is the chairman of the Executive Board Committee. Upon delegation by the Board, the Executive Board Committee makes decisions regarding major issues as delegated by the Board through interactive communications from time to time, the resolutions passed by the Executive Board Committee have same effect as the resolutions of the Board.

### 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 affairs assists the Committee in performing the daily risk management function 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, risk management (including but not limited to the risks relating to environmental, social and governance), 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 Head of Internal Audit Department, 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, representative of Internal Audit Department 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 Audit Department and External Auditor 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 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 Auditor

- to appoint, retain, dismiss and replace the Company's External Auditor, 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 Auditor, and any questions of its resignation or dismissal; and monitor the associated fees and independence of the External Auditor to ensure that the performance of non-audit services does not impair the independence of the External Auditor in connection with their audit. The non-audit service to be performed by the External Auditor 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 Auditor 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 Auditor may wish to raise;
- to review and monitor the effectiveness of the audit process in accordance with applicable standards and discuss with the External Auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to review the work of the External Auditor (including the resolution of any disagreement between the Management and the External Auditor 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 Auditor 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 Auditor 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 Auditor's management letter, any material queries raised by the External Auditor 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 Auditor 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 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 66 to 74 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, Legal and Compliance, 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, Legal and Compliance, 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 Risk Management, Legal and Compliance 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 2022 included the review and, where applicable, approval of:

- the Company's financial statements for the year ended 31 December 2021 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 2022 and the interim results announcement thereof, which were recommended to the Board for approval;
- the audit report and management letter submitted by the external auditor;
- 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 auditor, and the audit fees and non-audit fees payable to external auditor 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 2023.

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) to review annually 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 four members comprising Mr. Yu Fachang, the Chairman of the Board and a Non-executive Director, and three INEDs, namely 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. 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 two meetings in the year and passed one resolution in writing to transact its business for making recommendations to the Board on the appointment of Chairman, Non-executive Director and Vice President, 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 four members comprising Mr. Yu Fachang, the Chairman of the Board and a Non-executive Director, and three INEDs, namely 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. 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;
- to ensure that no Director or any of his associates is involved in deciding his own remuneration; and
- if the Shareholders approve and adopt the share schemes in accordance with Chapter 17 of the Listing Rules, the Remuneration Committee, in accordance with the requirement of the Listing Rules, will be authorized to review and/or approve matters relating to the share schemes (if applicable).

A total of three meetings were held by the Remuneration Committee during the year with an attendance rate of 100%. The work performed by the Remuneration Committee in 2022 included the review and, where applicable, approval of:

- the performance appraisal of the Executive Directors and senior management for the year 2021; and
- the proposal on staff bonus (including the senior management) for the year 2021 and salary adjustments for the year 2022 for the Company.

## 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 basic 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 determine 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 2022 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 2022 is set out below:

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

In 2021, the ESG Committee was established by the Board and aims to integrate ESG principles into business decision-making and keep pace with other international enterprises on ESG. The ESG Committee currently has four members comprising two Executive Directors, namely Mr. Zhang Mingao and Mr. Wang Hongyang, a non-executive Director, Mr. Fang Bin, and an INED, Mr. Law Cheuk Kin Stephen. Mr. Zhang Mingao 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.

The ESG Committee held three meetings during the year to review the work plan of the ESG working group and adopt the ESG policies, including the Climate Change Policy, 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 currently has five members comprising, the Chairman of the Board and a Non-executive Director, Mr. Yu Fachang, the President and an Executive Director, Mr. Zhang Mingao, and three INEDs Mr. Law Cheuk Kin Stephen, Dr. Lin Zhijun and Dr. Chung Shui Ming Timpson. Mr. Law Cheuk Kin Stephen is the chairman of the Strategy Committee. 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 Auditor 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 Auditor.

## 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.

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 Risk Management, Legal and Compliance.

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 reform follow-up reports quarterly to ensure that the management and relevant departments have 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 (included but not limited to the risk in view to ESG) 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 Auditor 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 separate ESG Report for 2022. The ESG report is published on the websites of the Company at [www.everbright.com](http://www.everbright.com) (by clicking "Environmental, Social and Governance Report" under "Sustainability") and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) at the same time as the publication of this Annual Report in compliance with the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules.

## 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 66 to 74 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 2022.

## CONSTITUTIONAL DOCUMENTS

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

## EXTERNAL AUDITOR

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 Auditor, 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 auditor 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 2022, EY charged total fees of HK\$16,129,000 for audit services, HK\$2,555,000 for non-audit services (including HK\$1,844,000 for the review of the interim financial statements and HK\$706,000 for tax and other services). 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 interim financial statements and HK\$770,000 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 2022 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 2022 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 2022 annual general meeting held on 19 May 2022 to address to questions and comments raised by Shareholders.

In addition, the Company also provided further information on the 2022 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](http://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 Auditor 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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](mailto: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](mailto: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](mailto: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. A separate ESG report for 2022 is published on the websites of the Company at [www.everbright.com](http://www.everbright.com) (by clicking "Environmental, Social and Governance Report" under "Sustainability") and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) at the same time as the publication of this Annual Report in compliance with the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules.

## 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 risk reporting 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 behaviours to mirror the culture and core values of the Company. All employees undertake 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 defence" framework for identifying, preventing and controlling risks.

The first line of defence against undesirable outcomes is the business unit 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 unit, such as Risk Management, Legal and Compliance, Operations, Finance and Accounting, Company Secretarial, which constitute the second line of defence.

Internal Audit can provide retrospective, independent auditing over the operation of controls and is the third line of defence. The internal audit duty includes reviews of risk management and internal control processes and provides recommendations to improve the control environment.

## RISK & INTERNAL CONTROL REVIEW

Risk events are captured by the business will assess and report through a workflow by the second and third lines of defence, with continuous follow-up on subsequent improvements. When control failings and inefficient processes are identified, the second and third line of defence teams also conduct deep dive analyses and reviews to identify potential risks and make or supervise remediations.

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 internal control relevant departments mentioned above, identifies Company's risk and internal control profile, continuously supervises and promotes enhancements and improvements to the mechanisms of the risk control system, and reports to the Audit and Risk Management Committee on the major risks and internal control profile of the Company on a quarterly basis. Committee members contribute views and raise questions at its meeting to ensure risk management and internal controls are effective and in place. For further details, please refer to the relevant contents of the Corporate Governance Report.

## 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 regulatory requirements (including Listing Rules) is supported by Company Secretarial 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 considers the Company's processes for financial reporting and Listing Rules' compliance are effective.

## PROCESS OF ASSESSMENT AND MANAGEMENT OF SIGNIFICANT RISKS

The Company re-examines its risk appetite annually taking into consideration factors such as strategy and financial goals, and adjusts and revises the nature and degree of various risks willing to assume in order to achieve business development strategies and goals, and implements them after evaluation and approval by the Board. The Risk Management, Legal and Compliance Department implements relevant risk monitoring mechanisms to monitor market, operational, legal and compliance risks on a daily basis, and uses scientific and professional skills to examine whether the overall operation of the Company meets the standards set by its risk appetite.

Specifically, risk identification and assessment are conducted using both a top down approach and a bottom up approach to ensure a thorough risk assessment at the macro and micro levels. The top down approach mainly considers the objective external factors and the strategic planning of the Company to identify and assess the risks having the most significant impact to the Company resulting from the relevant factors. The bottom up approach ensures that the Company can carry out a comprehensive examination of internal risks, conduct data analysis to verify key trends, identify and set priorities for key risks, and provide management with opinions and recommendations on matters that could impact operational development and business results.

The Company uses the above methods to identify significant risks, evaluates the likelihood and impact of each significant risk, with reference to associated measures and performance of key indicators, and uses qualitative and quantitative approaches to describe and report on such risks. Meanwhile, the Company will assess the adequacy of its risk mitigation measures, and review and formulate additional measures if necessary. The Vice President of the Group in charge of Risk Management, Legal and Compliance oversees the overall risk management and reports to the Audit and Risk Management Committee on a quarterly basis.

## 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 Board 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 handling risks 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 2022, 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, the 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 reviewing 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, surveillance & control, 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 provides recommendations to improve the control environment to the Committee on a quarterly basis. 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 sophisticated level of 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 2022	MITIGATING FACTORS
<b>FINANCIAL</b>		
Liquidity Risk		
<ul style="list-style-type: none"> <li>■ Risk of failing to meet the Company's contractual or payment obligations in a timely manner.</li> <li>■ 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.</li> <li>■ Additionally, high financial leverage may raise the risk of failing to fulfil the relevant requirements from loan covenants (if any) and result in technical default.</li> </ul>	<ul style="list-style-type: none"> <li>■ The Company has continued to hold sufficient bank credit facilities and can use these facilities appropriately to maintain liquidity, based on fund utilisation and cash inflow conditions.</li> <li>■ The Company monitors &amp; control liquidity risk through methods such as financial budgets and stress tests. Under the objective circumstances of the adverse market environment, the leverage of the Company has increased, but liquidity remaining normal.</li> </ul>	<ul style="list-style-type: none"> <li>■ The Company forecasts 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.</li> <li>■ The approved financial leverage ratio and relevant limits are closely monitored by Finance Department and Risk Management Team regularly.</li> <li>■ Finance department closely monitors the Company's cash position, available facilities and performs cash flow forecasting under the overseeing of Risk Management Team.</li> <li>■ The Company regularly performs long term forecasts and uses stress tests to assess future liquidity and short term forecasts to closely monitor any change of liquidity need, and formulates corresponding plans to ensure the capability of the Company regarding long and short term liquidity.</li> </ul>




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

KEY RISK	CHANGES IN 2022	MITIGATING FACTORS
Exchange Rate Risk		
<ul style="list-style-type: none"> <li>Risk that the Company's financial position is exposed to adverse movements in exchange rates.</li> </ul>	<ul style="list-style-type: none"> <li>The Company controls exchange rate risk through the counter balancing method to reduce the impact of exchange rate fluctuations on the Company.</li> </ul>	<ul style="list-style-type: none"> <li>Monitor asset exposures by currency and the foreign currency rate movement regularly.</li> <li>Improve currency matching between asset and liability, reducing currency mismatch risk.</li> <li>Perform sensitivity analysis on the effect of change in foreign currency rates.</li> </ul>
Interest Rate Risk		
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>There has been an overall rise in borrowing costs due to rising USD/HKD interest rates.</li> <li>As Panda bonds accounted for a considerable portion in the Company's debt structure, the impact of changes in USD/HKD interest rates on borrowing costs is under control.</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring on interest rate mismatch and sensitivity test are performed regularly.</li> <li>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.</li> <li>The interest rate risk of the Company is expected to lower gradually as the pace of rate hikes for USD is expected to slow down shortly.</li> </ul>
INVESTMENT		
Market Risk		
<ul style="list-style-type: none"> <li>Risk arises from market movements, which can cause a fall in the value of investment assets.</li> </ul>	<ul style="list-style-type: none"> <li>Affected by various factors such as the macroeconomic landscape and COVID-19 prevention and control measures, the value of the Company's assets invested is subject to short-term volatility.</li> </ul>	<ul style="list-style-type: none"> <li>Limits on the aggregate amount of seed capital investment and enhance investment diversification.</li> <li>The Company actively develops fee-based business so that our return and profitability will be more stable. The Company continues to strengthen capital market research and judgement and tracking of corporate operating conditions, and strengthens risk control effectively through various means such as monitoring of market value.</li> <li>Actively seek market opportunities to speed up exiting existing investments in order to mitigate market risk of the Company.</li> </ul>

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



KEY RISK	CHANGES IN 2022	MITIGATING FACTORS
<p>Credit Risk</p> <ul style="list-style-type: none"> <li>■ Risk exposed to credit losses if borrowers are unable to repay loans and outstanding interest and fees.</li> <li>■ In addition, the Company has exposure to counterparties with which we place deposits or trades, and derivative contracts.</li> </ul>	 <ul style="list-style-type: none"> <li>■ The Company's provision on loan in 2022 has increased, but the overall credit risk is within controllable level.</li> <li>■ Our counterparty risks are broadly unchanged.</li> </ul>	<p>We seek to minimize our credit risk from our lending by:</p> <ul style="list-style-type: none"> <li>■ Mainly lending on a secured basis with significant emphasis placed on quality control of the underlying security.</li> <li>■ Manage to maintain consistent and conservative loan to value ratios and short-term tenor.</li> <li>■ Operating strong control and governance both within business units and with overseeing by Risk Management Team.</li> </ul> <p>Our exposures to counterparties are mitigated by:</p> <ul style="list-style-type: none"> <li>■ Seek to diversify our exposures across different counterparties.</li> <li>■ Continuous monitoring of credit quality of our counterparties.</li> </ul>
<p>Operational Risk</p> <ul style="list-style-type: none"> <li>■ Risk of losses through inadequate or failed internal processes, people or systems or through external events.</li> </ul>	 <ul style="list-style-type: none"> <li>■ The Company's Operations Centre set up in 2015 has expanded rapidly and the identification, control and management on operational risks enhanced continuously.</li> <li>■ The company continuously boosts employees' awareness of operational risk and strengthens system implementation through various educational interactions such as training on systems and case sharing.</li> </ul>	<ul style="list-style-type: none"> <li>■ Our control systems are designed to ensure operational risks are mitigated to an acceptable level.</li> <li>■ Three lines of defence model mentioned above is the key point.</li> <li>■ 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.</li> <li>■ We manage risk events through identification, evaluation, reporting, risk mitigating resolution and continuous monitoring with the aim of preventing major operational risk.</li> <li>■ Relevant trading/settlement/investment operation management systems/information management systems are implemented, and automation procedures are enhanced and strengthened continuously to mitigate relevant operational risks.</li> </ul>


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


KEY RISK	CHANGES IN 2022	MITIGATING FACTORS
<p data-bbox="240 470 518 498">Legal and Regulatory Risk</p> <ul style="list-style-type: none"> <li data-bbox="240 523 624 664">■ Changes to the existing legal, regulatory and tax environments and failure to comply with existing requirements may materially impact the Company.</li> <li data-bbox="240 685 608 944">■ Failing to treat customers fairly, safeguard client assets or provide advice/products that 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.</li> </ul>	<p data-bbox="641 470 703 498" style="text-align: center;">◀▶</p> <ul style="list-style-type: none"> <li data-bbox="641 523 949 728">■ The changes in legal and regulatory requirements in recent years have led to additional reporting requirements, operational complexity and cost to the Company.</li> <li data-bbox="641 750 949 976">■ The Company has continued to improve its legal risk prevention and control system, continuously enhanced the compliance review process, and comprehensively prevented and controlled legal compliance risk.</li> </ul>	<p data-bbox="967 470 1281 498" style="text-align: center;">◀▶</p> <ul style="list-style-type: none"> <li data-bbox="967 523 1422 782">■ Compliance Team tracks developments of regulatory matters to offer professional advice to the Company on the related changes in relevant laws and regulations, 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.</li> <li data-bbox="967 804 1422 858">■ To advise on the approval, monitoring and review of existing and new funds/products/investments.</li> <li data-bbox="967 879 1342 933">■ Training for relevant staff regarding the regulatory compliance requirements.</li> <li data-bbox="967 955 1358 1009">■ Continuous monitoring of key regulatory compliance requirements.</li> </ul>
<p data-bbox="240 1026 544 1054">Information Technology Risk</p> <ul style="list-style-type: none"> <li data-bbox="240 1080 624 1198">■ Risk of failure to keep up with changing client expectations or manage upgrades to existing technology may impact the Company's performance.</li> </ul>	<p data-bbox="641 1026 703 1054" style="text-align: center;">◀▶</p> <ul style="list-style-type: none"> <li data-bbox="641 1080 949 1284">■ The Company continued to invest and upgrade its IT infrastructure and systems, including corporate data warehouse, investment management system and order management system.</li> </ul>	<p data-bbox="967 1026 1281 1054" style="text-align: center;">◀▶</p> <ul style="list-style-type: none"> <li data-bbox="967 1080 1422 1166">■ The Company continues to invest in its IT infrastructure, data management system, reporting system and other software/systems.</li> <li data-bbox="967 1187 1422 1241">■ We have sound governance in place to oversee our major IT projects.</li> <li data-bbox="967 1263 1358 1317">■ We have in place business continuity and disaster recovery plans.</li> </ul>

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

KEY RISK	CHANGES IN 2022	MITIGATING FACTORS
Loss of Key Personnel Risk		
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>The Company has continued to employ professionals in the field of asset management to carry out investment and risk management.</li> </ul>	<ul style="list-style-type: none"> <li>The Company seeks to develop, attract, motivate and retain staff through comprehensive human resource policies.</li> <li>Comprehensive, systematic and highly transparent evaluation policies are used to evaluate staff performance.</li> <li>Maintains loyalty through appropriate remuneration and benefit packages.</li> <li>Contracts for relevant roles have restrictive covenants and enhanced notice periods are in place for key staff.</li> <li>Comprehensive training is offered to all staff to promote individual and team development.</li> <li>In order to avoid reliance on any one individual staff, teams are required to ensure each individual has another staff as alternative backup.</li> <li>We have set up promotion policy so that employees have clear career path to pursue and are motivated to stay for long term development.</li> </ul>

## REPUTATIONAL

Reputational Risk		
<ul style="list-style-type: none"> <li>Risk that negative publicity regarding the Company will lead to client redemptions and a decline in AUM and revenue.</li> <li>The risk of damage to the Company's reputation is more likely as a result from one of the other key risks but a standalone risk.</li> </ul>		<ul style="list-style-type: none"> <li>Adhering to the principle of active prudence, the Company has strengthened monitoring of public opinions and maintained a stable environment in terms of public opinions.</li> </ul>
		<ul style="list-style-type: none"> <li>High standards of conduct and a principled approach to regulatory compliance are integral to our corporate culture and values. We consider reputational risks as a key factor when initiating changes in strategy or operating model.</li> <li>Reputational risk is primarily mitigated through the effective mitigation of the other key risks.</li> <li>Our risk appetite, risk and compliance policies, governance structures and reward mechanism include significant focus on issues and behaviours that could positively affect the Company's reputation.</li> </ul>

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

## ESG RISK MANAGEMENT

ESG risks refer to the risks to which an enterprise is exposed in environmental, social and governance terms, which will have an adverse impact on the Company's mid- and long-term financial position and enterprise value. The ESG risk control structure adopted by the Group is as follows:

- The Group's risk management work is mainly led by the Vice President in charge of Risk Management, Legal and Compliance, and monitored by the Audit and Risk Management Committee. ESG risks are managed by the ESG Committee under, and overseen by, the Board.
- The ESG Committee is responsible for formulating the Group's ESG responsibilities, policies, strategies and objectives, supervising the performance and effectiveness of the implementation of ESG-related responsibilities, and regularly reporting to the Board on relevant matters.
- The ESG Task Force under the ESG Committee is responsible for the implementation of the responsibilities, policies and resolutions formulated by the ESG Committee, reporting the work results to the ESG Committee, and proposing work adjustments and improvements.
- Investment teams implement the Group's ESG policies in daily activities of investment and management.

During the reporting period, the Group effectively managed ESG risks through continuous implementation of policies and measures related to ESG risk management. In 2022, there were no significant ESG risk events impacting the Group.

# DIRECTORS' REPORT

The board of directors (the "Director(s)") (the "Board") of China Everbright Limited (the "Company") hereby presents the Annual Report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2022.

## 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 28 to 40 and the Risk Management Report set out on pages 66 to 74 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 separate Environmental, Social and Governance Report for 2022 which is published on the websites of the Company at [www.everbright.com](http://www.everbright.com) (by clicking "Environmental, Social and Governance Report" under "Sustainability") and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) at the same time as the publication of this Annual Report in compliance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules. 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 2022 are set out on page 99 of this Annual Report.

The Board has recommended the payment of a final dividend of HK\$0.15 per share for the year ended 31 December 2022 (2021: HK\$0.30 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 194 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 2022 are set out on page 195 of this Annual Report.

## CHARITABLE DONATIONS

Charitable donation made by the Group for the year ended 31 December 2022 amounted to HK\$3,187,000.

## SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of the Company's principal subsidiaries, associates and joint ventures as at 31 December 2022 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 2022 are set out in note 26 to the financial statements.

## BONDS PAYABLE

Particulars of bonds payable of the Group as at 31 December 2022 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 2022 as calculated under the Companies Ordinance amounted to HK\$1,373,693,000 (2021: HK\$3,101,869,000). 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 Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) during the year are as follows:

- 1 On 31 March 2022, 北京光鴻管理諮詢合夥企業(有限合夥) (Beijing Guanghong Management Advisory Partnership (Limited Partnership)) (a wholly-owned subsidiary of the Company) as the general partner (the “General Partner”) of 光控金專(北京)股權投資基金合夥企業(有限合夥) (CEL Jinzhuang (Beijing) Equity Investment Fund Partnership (Limited Partnership)) (the “Fund”), and 光大控股(江蘇)投資有限公司 (Everbright (Jiangsu) Investment Limited) (“Everbright Jiangsu”) (a wholly-owned subsidiary of the Company), 光大永明人壽保險有限公司 (Sun Life Everbright Life Insurance Co., Ltd.) (“Sun Life Everbright”) and 首譽光控資產管理有限公司 (Everbright Prestige Capital Asset Management Co., Ltd.) (“Everbright Prestige”) (a company of which the Company owns 49% of its equity interest) as limited partners entered into the limited partnership agreement (the “Limited Partnership Agreement”) for the purpose of the establishment of the Fund. Pursuant to the Limited Partnership Agreement, the General Partner, Everbright Jiangsu, Sun Life Everbright and Everbright Prestige committed to contribute RMB19 million, RMB300 million, RMB300 million and RMB100 million, respectively, to the Fund. Upon the formation of the Fund, the Fund would become a subsidiary of the Company.

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. CE Group was interested in 50% of the equity interest of Sun Life Everbright, therefore Sun Life Everbright was an associate of CE Group and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, 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.

- 2 On 28 August 2020, the Company entered into an underwriting agreement with China Everbright Bank Company Limited ("Everbright Bank") and Everbright Securities Company Limited ("Everbright Securities"), pursuant to which, the Company engaged Everbright Bank and Everbright Securities as the lead underwriters in respect of the proposed issue of the medium term notes proposed to be issued by the Company with an aggregate principal amount of not more than RMB15.6 billion in the PRC to qualified investors by the Company (the "Proposed Notes Issue").

On 1 June 2022, the Company, Everbright Bank, Everbright Securities and Bank of China Limited ("Bank of China") entered into the supplemental underwriting agreement (the "Supplemental Underwriting Agreement"), pursuant to which the Company has engaged Bank of China as an additional lead underwriter in respect of the issuance of the medium term notes with a principal amount of not more than RMB3 billion out of the total principal amount of RMB15.6 billion under the Proposed Notes Issue.

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. Each of Everbright Bank and Everbright Securities was a subsidiary of CE Group, therefore was an associate of CE Group and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Supplemental Underwriting Agreement (including the payment of any underwriting fee(s) to Everbright Bank and Everbright Securities) constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

- 3 On 26 October 2022, CEL Focus Multi-Strategy Fund (a wholly-owned subsidiary of the Company) acquired the Preferred Class B asset-backed securities under the Everbright Securities Asset Management – EBA Commercial Real Estate Phase 4 Asset-backed Special Plan (the "ABS Scheme") which was managed by Shanghai Everbright Securities Asset Management Co., Ltd. (the "Scheme Manager") from Everbright Jiabao Co., Ltd (an associate of the Group held as to approximately 29.17% by the Company) with a total consideration of RMB335,243,835.63 on the Shenzhen Stock Exchange, representing approximately 7.50% of the total asset-backed securities issued under the ABS Scheme which is traded on the Shenzhen Stock Exchange (the "Acquisition").

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. Everbright Securities was a subsidiary of CE Group, therefore was an associate of CE Group and a connected person of the Company under Chapter 14A of the Listing Rules. Since the Scheme Manager, being a wholly-owned subsidiary of Everbright Securities fully managed the ABS Scheme, the Scheme manager was also a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

- 4 On 13 November 2019, CEL Management Services Limited (a wholly-owned subsidiary of the Company) ("CEL Management Services") as the tenant, entered into a tenancy agreement with Gardex Investment Limited ("Gardex"), as the landlord, in respect of the lease of the whole of 48th Floor of Far East Finance Centre, No. 16 Harcourt Road, Hong Kong (the "Premises") for a term of 3 years commencing on 15 November 2019 and expiring on 14 November 2022 (both days inclusive).

On 11 November 2022, CEL Management Services as the tenant, entered into the new tenancy agreement with Gardex, as the landlord, to renew the existing lease of the Premises for a term of 2 years from 15 November 2022 to 14 November 2024 (both days inclusive).

China Everbright Holdings Company Limited ("CE Hong Kong"), 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. Gardex was a wholly-owned subsidiary of CE Hong Kong, therefore was an associate of CE Hong Kong and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the above new tenancy agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.



5 On 25 February 2016, Pioneer Act Investments Limited (a wholly-owned subsidiary of the Company) (“Pioneer Act”), and Everbright Real Estate Limited (“EREL”) formed the joint venture, Profit Plus Global Limited, which was owned as to approximately 16.67% by Pioneer Act and 83.33% by EREL (the “Joint Venture”). Pioneer Act, EREL and the Joint Venture also entered into a shareholders’ agreement (the “Shareholders’ Agreement”) in relation to, inter alia, the funding for the acquisition of a company which indirectly held the entire office building located at No.108 Gloucester Road, Wanchai, Hong Kong, and the management of the affairs of the Joint Venture. Pursuant to the Shareholders’ Agreement, each of Pioneer Act and EREL agreed to provide shareholders’ loan in the amount of HK\$1,000,000,000 and HK\$5,000,000,000, respectively, to the Joint Venture.

On 30 December 2022, Pioneer Act, EREL and the Joint Venture entered into the supplemental agreement (the “Supplemental Agreement”), pursuant to which the Shareholders’ Agreement was supplemented to include the terms in relation to (i) the repayment by the Joint Venture of a portion of the outstanding balance of the existing shareholders’ loans owed to Pioneer Act in the amount of HK\$700,000,000; (ii) upon completion of the aforesaid repayment, the provision by EREL of a further shareholders’ loan to the Joint Venture in the amount of HK\$700,000,000 for a maximum term of 36 months in order to ensure that the Joint Venture would continue to have sufficient working capital to meet its needs (the “Additional Shareholders’ Loan”); and (iii) the payment by Pioneer Act to EREL of an amount equivalent to an interest on the Additional Shareholders’ Loan calculated at an interest rate of 1-month HIBOR plus 1.65% per annum pursuant to the terms of the Supplemental Agreement (the “Use of Capital Fee”).

CE Hong Kong, through its wholly-owned subsidiaries, was interested in approximately 49.74% of the total issued share capital of the Company and was the controlling shareholder of the Company. EREL was a wholly-owned subsidiary of CE Hong Kong, therefore was an associate of CE Hong Kong and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, each of the entry of the Supplemental Agreement and the payment of the Use of Capital Fee constituted a connected transaction under Chapter 14A of the Listing Rules.

The aforesaid connected transactions of the Company were subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. Details of the aforesaid connected transactions of the Company were set out in the announcements of the Company dated 31 March 2022, 1 June 2022, 26 October 2022, 11 November 2022 and 30 December 2022, respectively.

## 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 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 and custodian 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 28 December 2020 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 years ended 31 December 2021 and 31 December 2022, and the year ending 31 December 2023 are all set at HK\$850,000,000. During the year ended 31 December 2022, 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 years ended 31 December 2021 and 31 December 2022, and the year ending 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 2022 was approximately HK\$831,000.

## (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 years ended 31 December 2021 and 31 December 2022, and the year ending 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 2022 was approximately HK\$14,844,000.

#### (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 years ended 31 December 2021 and 31 December 2022, and year ending 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 2022 was approximately HK\$706,000.

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

The INEDs had reviewed the above continuing connected transactions for the year ended 31 December 2022 and confirmed that the transactions were:

- entered into in the ordinary and usual course of business of the Group;
- conducted on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and
- 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 auditor was 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 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has 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:

Mr. Zhang Mingao  
Mr. Wang Hongyang  
Mr. Yin Yanwu  
Dr. Zhao Wei (resigned on 21 June 2022)

### Non-executive Directors:

Mr. Yu Fachang (appointed on 21 June 2022)  
Ms. Pan Wenjie  
Mr. Fang Bin

### Independent Non-executive Directors:

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

Biographical details of the existing Directors and the senior management of the Company are available in the section of “Directors and Senior Management” on pages 89 to 92 of this Annual Report.

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. Yu Fachang, who was appointed by the Board as a Director, will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

In addition, in accordance with Articles 120 and 121 of the Articles, Mr. Wang Hongyang, Mr. Yin Yanwu and Dr. Lin Zhijun, 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 89 to 92 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 2022 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 2022, 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:

### Long position in shares of the Company:

NAME OF DIRECTORS	TOTAL	PERSONAL INTEREST	OTHER INTEREST	% OF TOTAL ISSUED SHARES
■ Zhang Mingao	208,567	–	208,567 <sup>(1)</sup>	0.01%
■ Wang Hongyang	166,854	–	166,854 <sup>(1)</sup>	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. According to the disclosure of interests notices filed on 16 January 2023, due to the expiry of the term of the fund, such interests were compulsorily redeemed by the fund, and 205,689 shares and 164,551 shares of the Company were distributed to Mr. Zhang Mingao and Mr. Wang Hongyang, respectively, on 13 January 2023.

Save as disclosed above, as at 31 December 2022, 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 Part XV of 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/her 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 2022, 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") <sup>(1)</sup>	838,306,207	–	838,306,207	49.74%
China Everbright Group Ltd. ("Everbright Group") <sup>(2)</sup>	838,306,207	–	838,306,207	49.74%
CITIC Group Corporation <sup>(3)</sup>	152,088,000	–	152,088,000	9.02%
CITIC Limited <sup>(3)</sup>	152,088,000	–	152,088,000	9.02%
Prudential plc <sup>(3)</sup>	152,088,000	–	152,088,000	9.02%
CITIC-Prudential Life Insurance Company Limited <sup>(3)</sup>	152,088,000	152,088,000	–	9.02%

#### Notes:

- 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.
- 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 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.
- 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 2022, 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 2022. The terms of reference of the Audit and Risk Management Committee and a summary of the duties discharged in 2022 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 2022 amounted to approximately HK\$2,408,000.

## 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\$0.15 per share for the year ended 31 December 2022 (2021: HK\$0.30 per share). Together with the interim dividend of HK\$0.15 per share already paid, the aggregate amount of dividends for the year is HK\$0.3 per share (2021: HK\$0.58 per share).

The final dividend, subject to approval at the forthcoming annual general meeting, is expected to be paid on Friday, 9 June 2023 to those shareholders whose names appear on the register of members of the Company on Monday, 29 May 2023.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Thursday, 18 May 2023.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15 May 2023 to Thursday, 18 May 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 12 May 2023.

The register of members of the Company will also be closed from Thursday, 25 May 2023 to Monday, 29 May 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 24 May 2023.

## 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. Zhang Mingao, an Executive Director, was appointed as an executive director of China Aircraft Leasing Group Holdings Limited (stock code: 1848.HK) with effect from 14 October 2022.
2. Mr. Yin Yanwu, an Executive Director, was appointed as a non-executive director of Everbright Securities Company Limited (stock code: 601788.SH, 6178.HK) with effect from 22 November 2022.

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

## AUDITOR

Ernst & Young ("EY"), the auditor of the Company, will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of EY as auditor 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  
Yu Fachang  
*Chairman*  
Hong Kong, 17 March 2023

# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Mr. Yu Fachang

Chairman and Non-executive Director

Mr. Yu Fachang, aged 57, is the Chairman of the Board and a Non-executive Director. He is also a member of the Nomination Committee, the Remuneration Committee and the Strategy Committee of the Board. Mr. Yu is currently the Deputy General Manager of China Everbright Group Ltd. and the Executive Director and the President of China Everbright Holdings Company Limited, the controlling shareholders of the Company. He had served as the Secretary of the Communist Youth League and the Director of the Advertising Administration Division of the Department of Advertising Supervision of the State Administration for Industry and Commerce, the Deputy Director-general of the Administration for Industry and Commerce of Tibet Autonomous Region, the Deputy Director-general of the Department of Market Standard Management of the State Administration for Industry and Commerce, the Secretary General of China Society of Administration for Industry and Commerce, the Director-general of the Department of International Cooperation (Office of Hong Kong, Macao and Taiwan Affairs) and the Director-general of the General Affairs Office of the State Administration for Industry and Commerce and the Director-general of the General Affairs Office of the State Administration for Market Regulation. Mr. Yu holds a Bachelor's degree of Laws in legal studies from Peking University and a Master's degree from the Central Party School of the Chinese Communist Party. He joined the Board in June 2022.

### Mr. Zhang Mingao

Executive Director and President

Mr. Zhang Mingao, aged 55, is an Executive Director and the President of the Group. He is also the Chairman of the Executive Board 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. Mr. Zhang is also the Chairman of Everbright Jiabao Co., Ltd. (stock code: 600622.SH), a Non-executive and Non-independent Chairman of Ying Li International Real Estate Limited (stock code: 5DM.SGX) and the Chairman of the Board and an executive Director of China Aircraft Leasing Group Holdings Limited (stock code: 1848.HK). 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 45, is an Executive Director and the Vice President of the Group in charge of finance. He is also a member of the Executive Board Committee and the Environmental, Social and Governance 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 49, 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 Board 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. Mr. Yin is a Non-executive Director of Everbright Securities Company Limited (stock code: 601788.SH, 6178.HK). 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 55, 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 50, 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 68, 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 Director of Academic Accreditation Office and Professor 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 71, 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 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 served as member of the National Committee of the 10th to 13th Chinese People's Political Consultative Conference. Dr. Chung was also 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, Justice of the Peace

#### Independent Non-executive Director

Mr. Law Cheuk Kin Stephen, JP, aged 60, 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), China Galaxy Securities Co., Ltd. (stock code: 601881.SH, 6881.HK), CSPC Pharmaceutical Group Limited (stock code: 1093.HK) 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) and Bank of Guizhou Co., Ltd. (stock code: 6199.HK). 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 54, 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 25 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 47, 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.

# 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 99 to 193, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 ("HKSAAs") 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 <i>Valuation of Level 3 financial investments</i>	How our audit addressed the key audit matters
<p>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.</p> <p>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.</p> <p>As at 31 December 2022, the Group's financial assets measured at fair value, categorised within Level 3 of the fair value hierarchy, amounted to HK\$34,061,844,000.</p> <p>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.</p>	<p>The procedures we performed, on a sample basis, with the assistance of our internal specialist to address the key audit matter included, but were not limited to those set out below:</p> <p>Our risk-based samples were selected with reference to the value of the investments, prevailing market conditions and investment specific risk indicators, with a specific focus on China real estate exposures.</p> <ul style="list-style-type: none"> <li>- Evaluated the appropriateness of the financial instrument valuation policies;</li> <li>- 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;</li> <li>- Evaluated the valuation techniques adopted through comparison with those commonly used in the market;</li> <li>- 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;</li> <li>- Evaluated the observable inputs with reference to external market data;</li> <li>- 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 independent valuations; and</li> <li>- Assessed the adequacy of the disclosures relating to financial instruments in Level 3 of the fair value hierarchy in the financial statements.</li> </ul>



## KEY AUDIT MATTERS (continued)

Key audit matters <i>Accounting for unconsolidated structured entities managed by the Group</i>	How our audit addressed the key audit matters
<p>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.</p> <p>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.</p> <p>Whether the Group has control over these structured entities requires significant management judgement.</p> <p>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.</p> <p>As at 31 December 2022, the carrying value of the Group's interests in unconsolidated structured entities managed by the Group amounted to HK\$6,067,597,000 which is recorded in financial assets at fair value through profit or loss in the consolidated statement of financial position.</p>	<p>The procedures we performed to address the key audit matter included, but were not limited to:</p> <ul style="list-style-type: none"> <li>- 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;</li> <li>- Evaluated the power held by other parties which allows the removal of the Group as the general partner or investment manager and assessed whether the rights held by other parties are substantive;</li> <li>- 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</li> <li>- Assessed the adequacy of the disclosures relating to the unconsolidated structured entities in the financial statements.</li> </ul>

## KEY AUDIT MATTERS (continued)

Key audit matters <i>Impairment of investment in an associate</i>	How our audit addressed the key audit matters
<p>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.</p> <p>As at 31 December 2022, the cumulative impairment allowance and net carrying value of the Group's investment in Everbright Jiabao Co., Ltd ("Everbright Jiabao"), an associate of the Group, amounted to HK\$1,598,827,000 and HK\$2,475,081,000 respectively.</p> <p>As at 31 December 2022, 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.</p> <p>The Group engaged an external specialist to estimate the value-in-use of Everbright Jiabao, 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 Everbright Jiabao and the discount rate applied.</p> <p>Given the significant amount of investment in Everbright Jiabao and the corresponding level of judgement and assumptions involved in calculating the value-in-use, we determined the impairment assessment of investment in Everbright Jiabao to be a key audit matter.</p>	<p>The procedures we performed, with the assistance of our internal specialist, to address the key audit matter included, but were not limited to:</p> <ul style="list-style-type: none"> <li>- Assessed the competence, capabilities and objectivity of the external specialist appointed by management to estimate the value-in-use;</li> <li>- Understood and challenged the assumptions in the strategic business plans approved by 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;</li> <li>- 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;</li> <li>- Performed a sensitivity analysis on the results of impairment assessment using multiple reasonable alternative assumptions;</li> <li>- Checked the arithmetical accuracy of the value-in-use calculation; and</li> <li>- Assessed the adequacy of disclosures relating to the impairment of investment in the associate in the financial statements.</li> </ul>

## 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, 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 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Turnover	4	7,707,730	21,785,133
Income from contracts with customers	4	843,075	659,392
Net (loss)/income from investments	4	(5,885,695)	4,314,022
<i>Interest income</i>		563,722	527,592
<i>Dividend income</i>		2,123,973	899,410
<i>Realised gain on investments</i>		46,194	379,347
<i>Unrealised (loss)/gain on investments</i>		(8,633,890)	2,481,001
<i>Others</i>		14,306	26,672
Income from other sources	4	(75,407)	(276,533)
Impairment losses	5	(982,141)	(40,390)
Operating expenses	6	(919,767)	(1,066,826)
(Loss)/profit from operating activities		(7,019,935)	3,589,665
Finance costs	7	(1,109,315)	(937,446)
Impairment losses on investments in associates	5	(1,128,501)	(400,000)
Share of profits less losses of associates	16	616,886	1,229,097
Share of profits less losses of joint ventures	17	17,123	59,237
(Loss)/profit before taxation		(8,623,742)	3,540,553
Income tax credit/(expenses)	9	923,427	(768,186)
(Loss)/profit for the year		(7,700,315)	2,772,367
Attributable to:			
Equity shareholders of the Company		(7,443,299)	2,572,840
Holders of senior perpetual capital securities	32	89,284	88,585
Non-controlling interests		(346,300)	110,942
(Loss)/profit for the year		(7,700,315)	2,772,367
Basic and diluted (loss)/earnings per share	13	HK\$(4.417)	HK\$1.527

The notes on pages 105 to 193 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the (loss)/profit for the year are set out in note 11.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

Note	2022 HK\$'000	2021 HK\$'000
(Loss)/profit for the year	(7,700,315)	2,772,367
Other comprehensive (loss)/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	(981,160)	(1,069,617)
Items that may be reclassified subsequently to profit or loss		
– Share of other comprehensive (loss)/income and effect of foreign currency translation of associates	(1,419,859)	468,683
– Share of other comprehensive (loss)/income and effect of foreign currency translation of joint ventures	(84,987)	29,091
– Other net movement in exchange reserve	(2,047,737)	444,002
12	(4,533,743)	(127,841)
Total comprehensive (loss)/income for the year	(12,234,058)	2,644,526
Attributable to:		
Equity shareholders of the Company	(11,697,447)	2,555,676
Holders of senior perpetual capital securities	89,284	88,585
Non-controlling interests	(625,895)	265
32	(12,234,058)	2,644,526
Total comprehensive (loss)/income for the year	(12,234,058)	2,644,526

The notes on pages 105 to 193 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	31 December 2022 HK\$'000	31 December 2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	14	521,718	597,542
Investment properties	14	4,898,173	5,352,758
Investments in associates	16	18,002,564	20,418,441
Investments in joint ventures	17	926,157	1,061,340
Equity investments designated at fair value through other comprehensive income	18	5,405,184	6,386,344
Financial assets at fair value through profit or loss	19	32,898,680	45,932,860
Advances to customers	20	360,891	454,178
Finance lease receivables		18,703	41,701
		<b>63,032,070</b>	<b>80,245,164</b>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	19	2,176,224	4,101,670
Advances to customers	20	2,902,542	2,957,788
Inventories	21	1,383,814	1,742,448
Debtors, deposits, prepayments and others	22	1,984,185	2,339,669
Trading securities	23	4,098,142	3,251,394
Restricted deposits	24	664,102	–
Cash and cash equivalents	24	8,235,532	7,155,428
		<b>21,444,541</b>	<b>21,548,397</b>
<b>Current liabilities</b>			
Trading securities	23	(532,071)	(454,660)
Creditors, deposits received and accrued charges	25	(3,523,042)	(3,237,957)
Bank loans	26	(11,925,501)	(9,970,601)
Bonds payable	28	(2,481,148)	(5,698,905)
Other financial liabilities	27	(441,187)	(171,818)
Notes payable		–	(27,000)
Lease liabilities	30	(35,688)	(39,202)
Provision for taxation		(585,193)	(693,348)
		<b>(19,523,830)</b>	<b>(20,293,491)</b>
<b>Net current assets</b>		<b>1,920,711</b>	<b>1,254,906</b>
<b>Total assets less current liabilities</b>		<b>64,952,781</b>	<b>81,500,070</b>

## Consolidated Statement of Financial Position | continued

As at 31 December 2022

	Note	31 December 2022 HK\$'000	31 December 2021 HK\$'000
<b>Non-current liabilities</b>			
Bank loans	26	(8,991,471)	(11,895,755)
Bonds payable	28	(9,515,580)	(7,338,540)
Other financial liabilities	27	(6,407,464)	(7,800,959)
Lease liabilities	30	(29,279)	(53,173)
Deferred tax liabilities	29	(2,131,886)	(3,375,113)
		(27,075,680)	(30,463,540)
<b>NET ASSETS</b>		<b>37,877,101</b>	<b>51,036,530</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	31	9,618,097	9,618,097
Reserves		24,871,106	37,318,228
<b>Attributable to:</b>			
Equity shareholders of the Company		34,489,203	46,936,325
Holders of senior perpetual capital securities	32	2,341,083	2,341,161
Non-controlling interests		1,046,815	1,759,044
<b>TOTAL EQUITY</b>		<b>37,877,101</b>	<b>51,036,530</b>

Approved and authorised for issue by the Board of Directors on 17 March 2023 and signed on behalf of the Board by:

**Zhang Mingao**  
Director

**Wang Hongyang**  
Director

The notes on pages 105 to 193 form part of these financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to equity shareholders of the Company								Senior perpetual capital securities	Non-controlling interests	Total equity	
	Note	Share capital	Option premium reserve	Investment revaluation reserve	Goodwill reserve	Capital reserve	Exchange reserve	Retained earnings				Total
		HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
As at 1 January 2021		9,618,097	1,242	6,048,772	(666,409)	(99,887)	1,093,041	29,442,161	45,437,017	2,341,276	1,654,688	49,432,981
Net movement by non-controlling shareholders		-	-	-	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 loss for the year		-	-	(1,069,617)	-	-	1,052,453	-	(17,164)	-	(110,677)	(127,841)
As at 31 December 2021 and as at 1 January 2022		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
Net movement by non-controlling shareholders		-	-	-	-	18,210	-	-	18,210	-	(86,334)	(68,124)
Dividends paid	11	-	-	-	-	-	-	(758,364)	(758,364)	-	-	(758,364)
Distribution to holders of senior perpetual capital securities	32	-	-	-	-	-	-	-	-	(89,362)	-	(89,362)
Share of capital reserve of associates		-	-	-	-	(9,521)	-	-	(9,521)	-	-	(9,521)
Loss for the year		-	-	-	-	-	-	(7,443,299)	(7,443,299)	89,284	(346,300)	(7,700,315)
Other comprehensive loss for the year		-	-	(981,160)	-	-	(3,272,988)	-	(4,254,148)	-	(279,595)	(4,533,743)
As at 31 December 2022		9,618,097	1,242	3,997,995	(664,792)	(87,473)	(1,127,494)	22,751,628	34,489,203	2,341,083	1,046,815	37,877,101

The notes on pages 105 to 193 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	41(a)	4,059,563	(3,505,426)
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(4,911)	(3,947)
Proceeds from disposal of investment properties		–	6,345
Proceeds from disposal of property, plant and equipment		599	422
Net cash outflow from losing control of subsidiaries		–	(479,968)
Proceeds from partial disposal of an associate		76,649	–
Investment in an associate		–	(1,585)
Investments in joint ventures		(5,820)	(6,320)
(Increase)/decrease in restricted cash		(28,723)	178,080
Increase in restricted deposits		(664,102)	–
Bank interest received		97,779	113,418
Dividends received from investments		372,497	402,562
Dividends received from associates and joint ventures		485,554	273,404
<b>NET CASH INFLOW FROM INVESTING ACTIVITIES</b>		329,522	482,411
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES</b>		4,389,085	(3,023,015)
<b>FINANCING ACTIVITIES</b>			
Issue of shares of subsidiaries to non-controlling shareholders		145,962	361,666
Redemption of non-controlling shareholders' shares		(341,327)	(130,565)
Proceeds from bank loans		17,395,279	21,859,223
Proceeds from issue of bonds and resale of bonds repurchased		4,242,930	5,001,290
Repayment of bank loans		(18,200,113)	(18,999,232)
Repayment and repurchase of bonds		(4,017,583)	(5,001,290)
Repayment of lease liabilities		(43,096)	(43,202)
Repayment of notes payable		(27,000)	–
Dividends paid to non-controlling shareholders		(26,260)	(89,821)
Dividends paid		(758,364)	(1,061,710)
Distribution to holders of senior perpetual capital securities		(89,362)	(88,700)
Interest paid		(1,063,451)	(883,472)
<b>NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES</b>		(2,782,385)	924,187
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		1,606,700	(2,098,828)
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning of year		6,894,260	8,860,137
Exchange rate adjustments		(555,319)	132,951
End of year		7,945,641	6,894,260
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Bank balances and cash – general accounts		7,098,486	5,901,735
Non-pledged time deposits with original maturity of less than three months when acquired		1,137,046	1,253,693
Restricted cash		(289,891)	(261,168)
End of year	24	7,945,641	6,894,260

The notes on pages 105 to 193 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 2022 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)

### (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. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

## 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 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 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* (the "Conceptual Framework") 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.



### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (b) 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 as determined by HKAS 2 *Inventories*, in profit or loss. These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced prior to the property, plant and equipment being available for use.
- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. The amendments did not have any impact on the consolidated financial statements of the Group.
- (d) *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 amendment that is 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendments did not have any impact on the consolidated financial statements 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:

	2022 HK\$'000	2021 HK\$'000
<b>Income from contracts with customers</b>		
Recognised over time		
Management fee income	266,018	340,111
Rental income from investment properties	185,582	184,224
Recognised at a point in time		
Consultancy fee and performance fee income	390,477	132,283
Sales of inventories	998	36,616
Cost of sales	–	(33,842)
	843,075	659,392
<b>Net (loss)/income from investments</b>		
Interest income		
Financial assets not at fair value through profit or loss		
Bank deposits	97,779	113,418
Advances to customers	350,010	327,644
Debt investments	115,933	86,530
Dividend income		
Financial assets at fair value through profit or loss and trading securities	1,751,476	496,848
Equity investments designated at fair value through other comprehensive income	372,497	402,562
Realised gain on investments		
Net realised gain on financial assets at fair value through profit or loss	130,419	278,595
Net realised (loss)/gain on trading securities	(84,225)	100,752
Unrealised (loss)/gain on investments		
Change of unrealised (loss)/gain on financial assets at fair value through profit or loss	(8,462,156)	2,698,361
Change of unrealised loss on trading securities	(171,734)	(217,360)
Others		
Realised gain on partial disposal of an associate	14,306	–
Gain on losing control of subsidiaries	–	26,672
	(5,885,695)	4,314,022
<b>Income from other sources</b>		
Net loss on revaluation of investment properties	(92,839)	(382,979)
Rental income from finance leases	5,548	6,703
Gain on disposal of investment properties	–	4,540
Gain/(loss) on disposal of property, plant and equipment	99	(296)
Exchange differences, net	(82,204)	32,962
Others	93,989	62,537
	(75,407)	(276,533)

## 5. IMPAIRMENT LOSSES

	2022 HK\$'000	2021 HK\$'000
Impairment losses on:		
– Inventories	606,747	–
– Advances to customers	263,930	23,190
– Debtors, deposits, prepayments and others	72,871	–
– Finance lease receivables	24,040	17,200
– Property, plant and equipment	14,553	–
	982,141	40,390
Impairment losses on:		
– Investments in associates	1,128,501	400,000
	2,110,642	440,390

## 6. OPERATING EXPENSES

	2022 HK\$'000	2021 HK\$'000
Depreciation and amortisation expenses	66,597	67,220
Lease payments not included in the measurement of lease liabilities	3,201	4,523
Auditor's remuneration	16,129	16,615
Management fee, consultancy fee, advisor fee and performance fee	101,595	82,445
Office expenses	41,159	37,971
Bank charges	36,502	25,477
Employee expenses (wages, bonuses and allowances)	272,573	492,117
Legal and professional fee	49,241	46,939
Other operating expenses	332,770	293,519
	919,767	1,066,826

## 7. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest expense on bank loans and other borrowings	1,106,379	933,646
Interest expense on lease liabilities	2,936	3,800
	1,109,315	937,446

The effective interest rate of bank loans and other borrowings was approximately 3.25% (2021: 2.73%) per annum during the year ended 31 December 2022.

## 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 2022

	Directors' fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	2022 Total HK\$'000
<i>Executive directors</i>					
Zhang Mingao	–	1,810	–	64	1,874
Wang Hongyang	–	2,003	–	18	2,021
Yin Yanwu	–	2,292	–	18	2,310
Zhao Wei (note 1)	–	2,030	–	36	2,066
<i>Non-executive directors</i>					
Yu Fachang (note 2)	–	–	–	–	–
Pan Wenjie	–	–	–	–	–
Fang Bin	–	–	–	–	–
<i>Independent non-executive directors</i>					
Chung Shui Ming, Timpson	200	378	–	–	578
Lin Zhijun	200	350	–	–	550
Law Cheuk Kin, Stephen	200	371	–	–	571
	600	9,234	–	136	9,970

Notes:

1. Dr. Zhao Wei resigned as the Chairman of the Board and an Executive Director with effect from 21 June 2022.
2. Mr. Yu Fachang was appointed as the Chairman of the Board and a Non-executive Director with effect from 21 June 2022.

## 8. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (continued)

### (a) Directors' emoluments: (continued)

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
<i>Executive directors</i>					
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
<i>Non-executive directors</i>					
Pan Wenjie (note 5)	–	–	–	–	–
Fang Bin (note 6)	–	–	–	–	–
<i>Independent non-executive directors</i>					
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

Notes:

- Mr. Wang Hongyang was appointed as an Executive Director with effect from 31 December 2021.
- Mr. Yin Yanwu was appointed as an Executive Director with effect from 31 December 2021.
- Mr. Tang Chi Chun Richard resigned as an Executive Director with effect from 1 December 2021.
- Mr. Yin Lianchen resigned as an Executive Director with effect from 5 August 2021.
- Ms. Pan Wenjie was appointed as a Non-executive Director with effect from 23 December 2021.
- Mr. Fang Bin was appointed as a Non-executive Director with effect from 31 December 2021.
- 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)

## (b) Five highest paid individuals' emoluments

	2022 HK\$'000	2021 HK\$'000
Salaries and other emoluments	12,403	11,918
Bonuses	2,760	17,567
Retirement scheme contributions	185	183
	15,348	29,668

	2022	2021
Number of directors	–	1
Number of employees	5	4
	5	5

Their emoluments were within the following bands:

	Number of individuals	
	2022	2021
HK\$2,500,001 to HK\$3,000,000	3	–
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$4,500,001 to HK\$5,000,000	–	1
HK\$5,500,001 to HK\$6,000,000	–	2
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 (2021: Nil).

Bonus payment is determined pursuant to the incentive schemes and relevant policies of the Group.

## 9. INCOME TAX (CREDIT)/ EXPENSES

The provision for Hong Kong profits tax is calculated at 16.5% (2021: 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 recognised in the consolidated statement of profit or loss represents:

	2022 HK\$'000	2021 HK\$'000
Current taxation		
– Hong Kong profits tax	10,963	41,880
– Overseas taxation	67,207	182,310
– Under/(over)-provision in prior years	20,201	(113,182)
Deferred taxation		
– Deferred taxation relating to the origination and reversal of temporary differences	(1,021,798)	657,178
Income tax (credit)/expenses	(923,427)	768,186

Reconciliation between income tax (credit)/expenses and accounting (loss)/profit at applicable tax rates:

	2022 HK\$'000	2021 HK\$'000
(Loss)/profit before taxation	(8,623,742)	3,540,553
Calculated at the rates applicable to (loss)/profits in the tax jurisdictions concerned	(1,839,480)	654,567
Tax effect of income not subject to taxation	(812,191)	(1,057,732)
Tax effect of expenses not deductible for taxation purposes	1,514,982	1,252,992
Tax effect of utilisation of previously unrecognised losses	(6,159)	(572)
Tax effect of tax losses and other deductible temporary differences not recognised	199,220	32,113
Under/(over)-provision of taxation in prior years	20,201	(113,182)
Income tax (credit)/expenses	(923,427)	768,186

## 10. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Loss for the year of the Company attributable to equity shareholders of the Company of HK\$969,812,000 (2021: profit attributed to equity shareholders of the Company of HK\$117,109,000) 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

	2022 HK\$'000	2021 HK\$'000
– Interim dividend declared and paid of HK\$0.15 (2021: HK\$0.28) per share	252,788	471,871
– Final dividend proposed after the end of the reporting period date of HK\$0.15 (2021: HK\$0.30) per share	252,788	505,576
	505,576	977,447

The Board proposed a final dividend of HK\$0.15 per share for the year ended 31 December 2022 (2021: HK\$0.30 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

	2022 HK\$'000	2021 HK\$'000
– Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.30 (2021: HK\$0.35) per share	505,576	589,839

## 12. OTHER COMPREHENSIVE INCOME

### Tax effects relating to each component of other comprehensive income

	2022			2021		
	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	(981,160)	–	(981,160)	(1,069,617)	–	(1,069,617)
Share of other comprehensive (loss)/income and effect of foreign currency translation of associates	(1,419,859)	–	(1,419,859)	468,683	–	468,683
Share of other comprehensive (loss)/income and effect of foreign currency translation of joint ventures	(84,987)	–	(84,987)	29,091	–	29,091
Other net movement in exchange reserve	(2,047,737)	–	(2,047,737)	444,002	–	444,002
	(4,533,743)	–	(4,533,743)	(127,841)	–	(127,841)



## 13. (LOSS)/EARNINGS PER SHARE

### Basic and diluted (loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share for the year ended 31 December 2022 is based on the loss attributable to equity shareholders of the Company of HK\$7,443,299,000 (2021: profit attributable to equity shareholders of the Company of HK\$2,572,840,000) and the weighted average number of 1,685,253,712 shares (2021: 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:							
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
Cost or valuation:							
At 1 January 2022	506,080	61,854	124,299	92,051	218,464	1,002,748	5,352,758
Additions	-	-	3,967	4,870	17,097	25,934	94,279
Disposals	-	-	-	(6,282)	(31,202)	(37,484)	-
Net loss on revaluation	-	-	-	-	-	-	(92,839)
Exchange adjustments	(21,849)	-	(6,934)	(1,700)	(10,204)	(40,687)	(456,025)
As at 31 December 2022	484,231	61,854	121,332	88,939	194,155	950,511	4,898,173
Representing:							
Cost	484,231	61,854	121,332	88,939	194,155	950,511	-
Professional valuation	-	-	-	-	-	-	4,898,173
	484,231	61,854	121,332	88,939	194,155	950,511	4,898,173

**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:							
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	–
At 1 January 2022	138,546	21,527	40,124	74,032	130,977	405,206	–
Charge for the year	8,115	1,532	7,746	10,769	38,435	66,597	–
Written back on disposals	–	–	–	(5,782)	(31,202)	(36,984)	–
Impairment loss recognised in profit or loss	–	–	14,553	–	–	14,553	–
Exchange adjustments	(8,990)	(101)	(433)	(4,783)	(6,272)	(20,579)	–
As at 31 December 2022	137,671	22,958	61,990	74,236	131,938	428,793	–
Net book value:							
As at 31 December 2022	346,560	38,896	59,342	14,703	62,217	521,718	4,898,173
As at 31 December 2021	367,534	40,327	84,175	18,019	87,487	597,542	5,352,758

- (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 2022 by RHL Appraisal Limited, 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 2022, 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\$1,054,972,000 (2021: HK\$1,098,706,000). 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\$4,551,165,000 (2021: HK\$4,984,895,000) of the Group are rented out under operating leases; HK\$303,939,000 (2021: HK\$323,374,000) 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 2022 and 31 December 2021, 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	2022 HK\$'000	2021 HK\$'000
Interests in leasehold land held for own use, carried at depreciated cost in Hong Kong, with remaining lease term of:		
– 50 years or more (i)	233,679	235,851
	233,679	235,851
Interests in leasehold land held for own use, carried at depreciated cost outside Hong Kong, with remaining lease term of:		
– between 10 and 50 years (i)	112,881	131,683
	112,881	131,683
Other properties leased for own use, carried at depreciated cost	62,217	87,487
	62,217	87,487
Interests in leasehold investment properties, at fair value in Hong Kong, with remaining lease term of:		
– 50 years or more	10,800	11,800
	10,800	11,800
Interests in leasehold investment properties, at fair value outside Hong Kong, with remaining lease term of:		
– between 10 and 50 years	4,887,373	5,340,958
	4,887,373	5,340,958

**(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 HK\$'000	Fair value measurements categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement				
Investment properties:				
As at 31 December 2022	4,898,173	–	–	4,898,173
As at 31 December 2021	5,352,758	–	–	5,352,758

During the year ended 31 December 2022, there were no transfers into or out of Level 3 (2021: 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 property – Hong Kong	Direct comparison approach	Premium (discount) on characteristic of the properties	-13% to 1% (2021: -4% to 4%)	The higher the premium, the higher the fair value	
Investment properties – Mainland China	Hypothetical development method	Value of property	Nil* (2021: -3.9% to 4.5%)	The higher the value of property, the higher the fair value.	
	Cost approach	Land price	Nil* (2021: -7.8% to 14.5%)	The higher the land price, the higher the fair value.	
	Direct comparison approach	Weighted average price per square meter	RMB5,870 to RMB34,000 (2021: RMB5,900 to RMB24,100)	The higher the weighted average price per square meter, the higher the fair value.	
	Income approach	Discount rate	Discount rate	6% to 6.7% (2021: 6% to 6.7%)	The higher the discount rate, the lower the fair value.
		Occupancy rate	Occupancy rate	51% to 100% (2021: 64% to 100%)	The higher the occupancy rate, the higher the fair value.
		Rental growth rate	Rental growth rate	1% to 8% (2021: 3% to 8%)	The higher the rental growth rate, the higher the fair value.
		Capitalisation rate	3.5% to 4% (2021: Nil*)	The higher the capitalisation rate, the lower the fair value	

\* Certain investment properties in Mainland China were fully developed at year-end, and the group has changed its valuation techniques for these investment properties accordingly.

The fair value of investment property in Hong Kong is determined using the direct comparison approach to value the property in the existing state, and uses the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence. The valuation take into account the characteristics of the property 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 direct comparison approach and income approach, 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, floor level, year of completion 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:

	2022 HK\$'000	2021 HK\$'000
Investment properties		
At 1 January	5,352,758	5,547,897
Additions	94,279	60,778
Disposal	–	(1,805)
Net loss on revaluation of investment properties	(92,839)	(382,979)
Reclassification	–	(23,565)
Exchange adjustments	(456,025)	152,432
At 31 December	4,898,173	5,352,758

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 <sup>#</sup>	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% <sup>1</sup>	Provision of asset management services
China Everbright Finance Limited	Hong Kong	Ordinary	100,000,000 Shares HK\$100,000,000	100%	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	5,000,000 Shares HK\$5,000,000	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 <sup>*</sup>	Not applicable	RMB125,300,000	100% <sup>1</sup>	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 <sup>#</sup>	Not applicable	US\$100,000,000	100%	Investment
宜興光控投資有限公司	The PRC <sup>*</sup>	Not applicable	RMB3,100,000,000	100% <sup>1</sup>	Project investment
重慶光控股權投資管理有限公司	The PRC <sup>*</sup>	Not applicable	RMB100,000,000	100% <sup>1</sup>	Fund management
Everbright (Qingdao) Investment Co., Limited	The PRC <sup>#</sup>	Not applicable	US\$160,000,000	100%	Investment
成都光控西部創業投資有限公司	The PRC <sup>*</sup>	Not applicable	RMB500,000,000	100% <sup>1</sup>	Investment
上海光控嘉鑫股權投資管理有限公司	The PRC <sup>*</sup>	Not applicable	RMB100,000,000	100% <sup>1</sup>	Fund management
青島光晟投資有限公司	The PRC <sup>#</sup>	Not applicable	US\$50,000,000	100% <sup>1</sup>	Investment
上海光控股權投資管理有限公司	The PRC <sup>*</sup>	Not applicable	RMB1,835,000,000	100% <sup>1</sup>	Investment
CEL Israel Holdings Limited	British Virgin Islands	Ordinary	1 Share US\$1	100% <sup>1</sup>	Investment holding
China Everbright Global Investment Advisors Company Limited	Hong Kong	Ordinary	5,000,000 Shares HK\$5,000,000	100% <sup>1</sup>	Provision of advisory services
Everbright Hero GP Limited	Cayman Islands	Ordinary	1 Share US\$1	100% <sup>1</sup>	Fund management
Everbright Hero, L.P.	Cayman Islands	Not applicable	Not applicable	90.16% <sup>1</sup>	Investment
光控投資管理(上海)有限公司	The PRC <sup>A</sup>	Not applicable	RMB200,000,000	100% <sup>1</sup>	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 <sup>A</sup>	Not applicable	US\$50,000,000	100% <sup>1</sup>	Provision of leasing services
Diamond Wealth Global Limited	British Virgin Islands	Ordinary	100 Shares US\$100	100% <sup>1</sup>	Investment holding
Pioneer Act Investments Limited	British Virgin Islands	Ordinary	1 Share US\$1	100% <sup>1</sup>	Investment holding
CEL Global Investment LP Limited	Cayman Islands	Ordinary	1 Share US\$1	100% <sup>1</sup>	Investment holding
CEL Elite Limited	Hong Kong	Ordinary	1 Share HK\$1	100% <sup>1</sup>	Treasury management
上海光控浦益股權投資管理有限公司 <sup>2</sup>	The PRC <sup>*</sup>	Not applicable	RMB310,000,000	100% <sup>1</sup>	Fund management
China Golden Opportunities Fund III, L.P.	Cayman Islands	Not applicable	Not applicable	75.09% <sup>1</sup>	Investment
CEL New Economy Fund, L.P.	Cayman Islands	Not applicable	Not applicable	64.84% <sup>1</sup>	Investment
湖南光控星辰股權投資合夥企業(有限合夥)	The PRC <sup>◇</sup>	Not applicable	RMB5,100,000,000	50.94% <sup>1</sup>	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 <sup>◇</sup>	Not applicable	RMB2,000,000,000	49.91% <sup>1</sup>	Investment
贛州光控蘇區高質量發展產業 投資基金(有限合夥)	The PRC <sup>◇</sup>	Not applicable	RMB2,500,000,000	33.31% <sup>1</sup>	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 <sup>◇</sup>	Not applicable	RMB1,000,000,000	39.8% <sup>1</sup>	Investment

<sup>(1)</sup> Subsidiaries held indirectly.

<sup>(2)</sup> 上海光控浦益股權投資管理有限公司 has been renamed as 北京光控浦益私募基金管理有限公司 with effect from 23 February 2023.

<sup>#</sup> Limited liability companies (wholly-foreign-owned enterprise) registered under PRC law.

<sup>△</sup> Limited liability companies (equity joint venture enterprise) registered under PRC law.

<sup>\*</sup> Limited liability companies registered under PRC law.

<sup>◇</sup> 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\$4,762,750,000 (2021: HK\$4,848,150,000) 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.

### Acquisition of non-controlling interests

During the year ended 31 December 2022 and 31 December 2021, there were no material acquisition of non-controlling interests.

## 16. INVESTMENTS IN ASSOCIATES

### (a) Investments in associates

	2022 HK\$'000	2021 HK\$'000
Carrying value, net (note)	18,002,564	20,418,441
Market value of shares listed in mainland China	17,515,712	19,100,996
Market value of shares listed in Hong Kong	1,227,199	1,621,149

Note:

As at 31 December 2022, the Group's net carrying value of its investment in Everbright Jiabao Co., Ltd ("Everbright Jiabao"), an associate of the Group, amounted to HK\$2,475,081,000 (2021: HK\$3,919,473,000).

As at 31 December 2022, 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 2022, 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 2022, the recoverable amount of Everbright Jiabao was lower than the carrying value, hence, impairment loss on investment in Everbright Jiabao amounting to HK\$1,020,827,000 (2021: HK\$400,000,000) was recognised during the year ended 31 December 2022.

The pre-tax discount rates applied in the cash flow projection of different key business operations of Everbright Jiabao ranged from 8.0% to 12.8% (2021: 7.9% to 12.3%) and the perpetual growth rate was 2.0% (2021: 2.2%).

**16. INVESTMENTS IN ASSOCIATES** (continued)

(b) As at 31 December 2022, 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 <sup>#</sup> ("Everbright Securities")	The PRC	Securities operations (note 1)	20.73%
China Aircraft Leasing Group Holdings Limited <sup>##</sup> ("CALC")	Cayman Islands	Investment holding (note 2)	38.08%*
Everbright Jiabao <sup>###</sup>	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)

<sup>#</sup> Market value of the listed shares in mainland China as at 31 December 2022 was equivalent to HK\$15,914,497,000 (2021: HK\$17,538,832,000).

<sup>##</sup> Market value of the listed shares in Hong Kong as at 31 December 2022 was HK\$1,227,199,000 (2021: HK\$1,621,149,000).

<sup>###</sup> Market value of the listed shares in mainland China as at 31 December 2022 was equivalent to HK\$1,601,215,000 (2021: HK\$1,562,164,000).

\* Held indirectly

Note 1: Everbright Securities is the Group's cornerstone investment, with an investment cost of HK\$1,497,149,000 (2021: HK\$1,504,118,000). During the year, the Group's equity interest in Everbright Securities was decreased from 20.83% to 20.73% as a result of partial disposal.

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 37.91% to 38.08% as a result of CALC's share buy-back.

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 2022, 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%.

## 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	
	2022 HK\$'000	2021 HK\$'000
Gross amounts of the associate		
Current assets	247,731,036	254,362,420
Non-current assets	41,491,640	38,305,283
Current liabilities	(178,757,275)	(166,411,713)
Non-current liabilities	(37,940,517)	(54,535,390)
Perpetual subordinated bonds	(10,633,877)	(6,118,846)
Non-controlling interests	(872,752)	(893,112)
Equity attributable to equity shareholders of the associate	61,018,255	64,708,642
Operating income	12,517,585	20,121,566
Profit from operating activities	3,763,079	4,291,561
Other comprehensive income	(128,344)	(149,733)
Total comprehensive income	3,634,735	4,141,828
Dividend received from the associate	253,728	184,968
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	61,018,255	64,708,642
Group's effective interest	20.73%	20.83%
Group's share of net assets of the associate	12,649,524	13,476,169
Carrying amount in the Group's consolidated financial statements	12,649,524	13,476,169

Aggregate information of the associates that are not individually material:

	2022 HK\$'000	2021 HK\$'000
Aggregate carrying amount of associates that are not individually material in the consolidated statement of financial position	5,353,040	6,942,272
Aggregate amounts of the Group's share of those associates:		
(Loss)/profit for the year	(71,339)	353,594
Other comprehensive (loss)/income	(230,675)	197,682
Total comprehensive (loss)/income	(302,014)	551,276

## 17. INVESTMENTS IN JOINT VENTURES

### (a) Investments in joint ventures

	2022 HK\$'000	2021 HK\$'000
Carrying value, net	926,157	1,061,340

### (b) As at 31 December 2022, 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 2022, details of the Group's principal investments in joint ventures are as follows: (continued)

Aggregate information of joint ventures that are not individually material:

	2022 HK\$'000	2021 HK\$'000
Aggregate carrying amount of joint ventures that are not individually material in the consolidated statement of financial position	926,157	1,061,340
Aggregate amounts of the Group's share of those joint ventures:		
Profit for the year	17,123	59,237
Other comprehensive (loss)/income	(84,987)	29,091
Total comprehensive (loss)/income	(67,864)	88,328

**18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	2022 HK\$'000	2021 HK\$'000
At fair value:		
Listed equity securities		
– outside Hong Kong	5,405,184	6,386,344

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 (2021: HK\$1,407,189,000).

No disposal was made during the year ended 31 December 2022, and there were no transfers of any cumulative gain or loss within equity relating to this investment (2021: Nil).

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

	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>		
At fair value:		
Unlisted equity securities/collective investment schemes (i)*		
– outside Hong Kong	26,301,921	37,246,630
Unlisted preference shares (i)		
– outside Hong Kong	6,250,280	8,309,392
Unlisted debt securities (i)		
– outside Hong Kong	346,479	376,838
	32,898,680	45,932,860
<b>Current assets</b>		
At fair value:		
Listed equity securities		
– in Hong Kong	596,727	1,610,147
– outside Hong Kong	735,000	872,722
Unlisted equity securities/collective investment schemes (i)*		
– outside Hong Kong	391,198	458,581
Unlisted debt securities (i)		
– outside Hong Kong	453,299	1,160,220
	2,176,224	4,101,670

(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\$21,559,069,000 (2021: HK\$30,592,792,000).

As at 31 December 2022, the Group's listed and unlisted equity securities amounting to a fair value of HK\$22,011,177,000 (2021: HK\$34,677,673,000) 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 2022, 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:

	2022 HK\$'000	2021 HK\$'000
As at 1 January	251,951	245,013
Released during the year	(4,472)	–
Exchange adjustment	(20,343)	6,938
As at 31 December	227,136	251,951

## 20. ADVANCES TO CUSTOMERS

	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>		
Term loans to customers		
– secured	5,859	454,289
– unsecured	458,082	–
	463,941	454,289
<b>Current assets</b>		
Term loans to customers		
– secured	1,310,647	1,346,521
– unsecured	2,090,961	1,949,342
	3,401,608	3,295,863
Total term loans to customers	3,865,549	3,750,152
Less: Impairment allowance	(602,116)	(338,186)
Net carrying value	3,263,433	3,411,966

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 2022

Internal rating grade	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Medium	1,661,642	–	–	1,661,642
High	262,500	21,484	–	283,984
Default	–	–	1,919,923	1,919,923
	1,924,142	21,484	1,919,923	3,865,549

**20. ADVANCES TO CUSTOMERS** (continued)

## 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

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 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
<b>As at 31 December 2021 and 1 January 2022</b>	<b>3,415,641</b>	<b>34,515</b>	<b>299,996</b>	<b>3,750,152</b>
New assets originated or purchased	918,900	–	–	918,900
Assets derecognised or repaid	(607,835)	(13,056)	–	(620,891)
Transfer from stage 1 to stage 3	(1,619,927)	–	1,619,927	–
Exchange difference	(182,637)	25	–	(182,612)
<b>As at 31 December 2022</b>	<b>1,924,142</b>	<b>21,484</b>	<b>1,919,923</b>	<b>3,865,549</b>

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

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 January 2021	8,442	6,558	299,996	314,996
Other changes (including new assets and derecognised assets)	18,608	4,582	–	23,190
<b>As at 31 December 2021 and 1 January 2022</b>	<b>27,050</b>	<b>11,140</b>	<b>299,996</b>	<b>338,186</b>
Other changes (including new assets and derecognised assets)	(15,830)	(4,430)	284,190	263,930
<b>As at 31 December 2022</b>	<b>11,220</b>	<b>6,710</b>	<b>584,186</b>	<b>602,116</b>

Except for the above impairment allowance of HK\$602,116,000 (2021: HK\$338,186,000), there were no other significant loans to customers, that were aged, requiring significant impairment provision as at 31 December 2022 and 2021.



## 21. INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Properties under development	137,038	137,490
Completed properties for sale	1,246,776	1,604,958
	1,383,814	1,742,448

## 22. DEBTORS, DEPOSITS, PREPAYMENTS AND OTHERS

	2022 HK\$'000	2021 HK\$'000
Accounts receivable	746,357	722,069
Deposits, prepayments, interest and other receivables and others	1,395,422	1,702,323
	2,141,779	2,424,392
Less: Impairment allowance	(157,594)	(84,723)
	1,984,185	2,339,669

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 2022 and 31 December 2021.

Their recoverability was assessed with reference to the credit status of the debtors, and impairment allowance of HK\$157,594,000 as at 31 December 2022 (2021: 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 2021, 31 December 2021 and 1 January 2022	–	–	84,723	84,723
Other changes (including new assets and derecognised assets)	1,790	1,634	69,447	72,871
As at 31 December 2022	1,790	1,634	154,170	157,594

## 23. TRADING SECURITIES

	2022 HK\$'000	2021 HK\$'000
<b>Current assets</b>		
At fair value:		
Listed equity securities		
– in Hong Kong	226,434	507,130
– outside Hong Kong	205,023	327,025
Listed debt securities		
– in Hong Kong	900,612	788,544
– outside Hong Kong	2,589,566	1,485,096
Unlisted debt securities	137,290	113,515
Derivatives		
– listed	330	1,484
– unlisted	38,887	28,600
	4,098,142	3,251,394
<b>Current liabilities</b>		
At fair value:		
Listed equity securities		
– in Hong Kong	(247,271)	(189,395)
– outside Hong Kong	(67,638)	(68,126)
Listed debt securities		
– in Hong Kong	(133,934)	(69,254)
– outside Hong Kong	(42,088)	(50,737)
Listed funds	(4,729)	(25,441)
Derivatives		
– listed	(127)	–
– unlisted	(36,284)	(51,707)
	(532,071)	(454,660)

## 24. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2022 HK\$'000	2021 HK\$'000
Cash on hand, savings and current accounts	7,098,486	5,901,735
Fixed deposits with banks	1,137,046	1,253,693
Cash and cash equivalents in the consolidated statement of financial position	8,235,532	7,155,428
Less: Restricted cash	(289,891)	(261,168)
Cash and cash equivalents in the consolidated statement of cash flows	7,945,641	6,894,260
Restricted deposits	664,102	–

## 24. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS (continued)

Restricted bank balances of HK\$45,598,000 (31 December 2021: HK\$49,189,000) were pledged to banks for sales of mortgaged properties to customers and interest reserve account on borrowings.

Restricted bank balances of HK\$244,293,000 (31 December 2021: HK\$211,979,000) were pledged to bonds payable.

Restricted deposits of HK\$664,102,000 (31 December 2021: nil) were pledged to a bank to secure a banking facility granted to the Group in relation to the litigation as disclosed in note 46.

## 25. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2022 HK\$'000	2021 HK\$'000
Creditors, deposits received and accrued charges	3,523,042	3,237,957

## 26. BANK LOANS

	2022 HK\$'000	2021 HK\$'000
Maturity details are as follows:		
Within 1 year	11,925,501	9,970,601
1 to 2 years	1,657,847	3,733,448
2 to 5 years	6,920,820	7,527,834
Over 5 years	412,804	634,473
	20,916,972	21,866,356

As at 31 December 2022, the bank loans were secured as follows:

	2022 HK\$'000	2021 HK\$'000
Bank loans:		
– secured	2,325,589	2,850,000
– unsecured	18,591,383	19,016,356
	20,916,972	21,866,356

As at 31 December 2022, the bank loans were secured by:

- Mortgage over certain investment properties with carrying value of approximately HK\$4,362 million (31 December 2021: approximately HK\$4,759 million);
- Mortgage over certain property, plant and equipment with carrying value totalling approximately HK\$23 million (31 December 2021: HK\$23 million);
- Mortgage over certain inventories with carrying value totalling approximately HK\$383 million (31 December 2021: approximately HK\$438 million); and
- The pledge of equity interests in subsidiaries with carrying value of approximately HK\$1,563 million (31 December 2021: approximately HK\$1,650 million).

## 27. OTHER FINANCIAL LIABILITIES

	Note	2022 HK\$'000	2021 HK\$'000
<b>Current:</b>			
Financial liabilities to third party investors	(a)	441,187	171,818
<b>Non-current:</b>			
Financial liabilities to third party investors	(a)	6,407,464	7,800,959

- (a) Financial liabilities to third party investors were incurred by the Group's fund management business. The Group issues fund units to third party investors to raise funds through the establishment of investment funds. After the end of the exit period of the investment funds (or the period extended pursuant to the fund agreements and approved by the investors), the Group shall distribute the principal of the fund units and the return thereof to the investors pursuant to the fund agreements, provided that the distribution amount shall be determined in accordance with the fund's performance. The Group does not guarantee the principal and return of third party investors' interests in the investment funds.

## 28. BONDS PAYABLE

	2022 HK\$'000	2021 HK\$'000
As at 1 January	13,037,445	12,669,450
New issuance and resale of bonds repurchased during the year	4,242,930	5,001,290
Repayments and repurchase during the year	(4,017,583)	(5,001,290)
Exchange adjustment	(1,266,064)	367,995
As at 31 December	11,996,728	13,037,445

	2022 HK\$'000	2021 HK\$'000
Maturity details are as follows:		
Within 1 year	2,481,148	5,698,905
1 to 2 years	6,157,140	2,446,180
2 to 5 years	3,358,440	4,892,360
	11,996,728	13,037,445

As at 31 December 2022, the bonds payable were secured as follows:

	2022 HK\$'000	2021 HK\$'000
Bonds payable:		
– secured	242,188	195,000
– unsecured	11,754,540	12,842,445
	11,996,728	13,037,445

As at 31 December 2022, the bonds payable were secured by bank balances pledged amounting to approximately HK\$244,000,000 (31 December 2021: approximately HK\$212,000,000).

## 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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
At 1 January	(2,940,885)	(2,233,060)	(434,228)	(434,228)	(3,375,113)	(2,667,288)
Credited/(charged) to profit or loss	1,009,835	(657,178)	11,963	-	1,021,798	(657,178)
Exchange adjustments	221,429	(50,647)	-	-	221,429	(50,647)
At 31 December	(1,709,621)	(2,940,885)	(422,265)	(434,228)	(2,131,886)	(3,375,113)

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\$3,371 million (2021: approximately HK\$3,309 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:

	2022 HK\$'000	2021 HK\$'000
As at 1 January	92,375	105,829
Additions	17,097	23,423
Disposal of a subsidiary	-	(2)
Interest expense	2,936	3,800
Payments	(43,096)	(43,202)
Exchange adjustments	(4,345)	2,527
As at 31 December	64,967	92,375
Analysed into:		
Current portion	35,688	39,202
Non-current portion	29,279	53,173

## 31. SHARE CAPITAL

### (a) Share capital

	2022		2021	
	No. of shares ('000)	HK\$'000	No. of shares ('000)	HK\$'000
Ordinary shares issued and fully paid: At 1 January and at 31 December	1,685,254	9,618,097	1,685,254	9,618,097

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general 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 2022 and 2021 was as follows:

	2022 HK\$'000	2021 HK\$'000
<b>Current liabilities</b>		
Bank loans	11,925,501	9,970,601
Notes payable	–	27,000
Bonds payable	2,481,148	5,698,905
	14,406,649	15,696,506
<b>Non-current liabilities</b>		
Bank loans	8,991,471	11,895,755
Bonds payable	9,515,580	7,338,540
Total debt	32,913,700	34,930,801
Add: Proposed dividend	252,788	505,576
Less: Cash and cash equivalents	(7,945,641)	(6,894,260)
<b>Adjusted net debt</b>	<b>25,220,847</b>	<b>28,542,117</b>
Total equity	37,877,101	51,036,530
Less: Proposed dividend	(252,788)	(505,576)
<b>Adjusted capital</b>	<b>37,624,313</b>	<b>50,530,954</b>
<b>Adjusted net debt-to-capital ratio</b>	<b>67%</b>	<b>56%</b>

## 31. SHARE CAPITAL (continued)

### (b) Capital management (continued)

As at 31 December 2022, the Group's liquidity remained healthy. The addition of financial resources is mainly attributable to 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 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 and 1 January 2022	2,325,540	15,621	2,341,161
Profit attributable to holders of senior perpetual capital securities	–	89,284	89,284
Distribution to holders of senior perpetual capital securities	–	(89,362)	(89,362)
As at 31 December 2022	2,325,540	15,543	2,341,083

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 2022 HK\$'000	31 December 2021 HK\$'000
<b>Non-current assets</b>			
Investments in subsidiaries	15	8,499,236	8,659,931
Amounts due from subsidiaries		15,457,474	14,410,427
Investment in an associate		1,497,149	1,504,118
Investment in a joint venture		1,143	1,143
Equity investments designated at fair value through other comprehensive income		5,405,184	6,386,344
		30,860,186	30,961,963
<b>Current assets</b>			
Amounts due from subsidiaries		20,767,371	22,737,134
Debtors, deposits, prepayments and others		392,493	393,182
Cash and cash equivalents		864,106	932,236
		22,023,970	24,062,552
<b>Current liabilities</b>			
Amounts due to subsidiaries		(12,349,333)	(9,677,220)
Bank loans		(5,643,762)	(7,666,400)
Bonds payable		(2,238,960)	(5,503,905)
Creditors, deposits received and accrued charges		(230,007)	(195,466)
		(20,462,062)	(23,042,991)
<b>Net current assets</b>		1,561,908	1,019,561
<b>Total assets less current liabilities</b>		32,422,094	31,981,524
<b>Non-current liabilities</b>			
Bank loans		(5,294,063)	(4,308,600)
Bonds payable		(9,515,580)	(7,338,540)
Deferred tax liabilities		(281,583)	(294,102)
		(15,091,226)	(11,941,242)
<b>NET ASSETS</b>		17,330,868	20,040,282
<b>CAPITAL AND RESERVES</b>			
Share capital	31	9,618,097	9,618,097
Reserves	34	5,371,688	8,081,024
Senior perpetual capital securities	32	2,341,083	2,341,161
<b>TOTAL EQUITY</b>		17,330,868	20,040,282

Approved and authorised for issue by the Board of Directors on 17 March 2023 and signed on behalf of the Board by:

Zhang Mingao  
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 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)
<b>As at 31 December 2021 and 1 January 2022</b>		<b>9,618,097</b>	<b>4,979,155</b>	<b>3,101,869</b>	<b>17,699,121</b>
Dividends paid	11	–	–	(758,364)	(758,364)
Loss for the year		–	–	(969,812)	(969,812)
Other comprehensive loss for the year		–	(981,160)	–	(981,160)
<b>As at 31 December 2022</b>		<b>9,618,097</b>	<b>3,997,995</b>	<b>1,373,693</b>	<b>14,989,785</b>

### (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 2022, 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\$1,373,693,000 (2021: HK\$3,101,869,000). After the end of the reporting period, the directors proposed a final dividend of HK\$0.15 per share (2021: HK\$0.30 per share), amounting to HK\$252,788,000 (2021: HK\$505,576,000) (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 2022

	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
Liabilities							
- Bank loans	-	-	(1,097,598)	(10,827,903)	(8,578,667)	(412,804)	(20,916,972)
- Other financial liabilities	-	(136,623)	(63,038)	(241,526)	(1,443,359)	(4,964,105)	(6,848,651)
- Trading securities	(356,049)	-	(176,022)	-	-	-	(532,071)
- Bonds payable	-	-	-	(2,481,148)	(9,515,580)	-	(11,996,728)
- Lease liabilities	-	-	(8,554)	(27,134)	(29,279)	-	(64,967)
	(356,049)	(136,623)	(1,345,212)	(13,577,711)	(19,566,885)	(5,376,909)	(40,359,389)

#### 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
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)

### 36. MATERIAL RELATED PARTY TRANSACTIONS

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

	2022 HK\$'000	2021 HK\$'000
Management fee income from:		
– a joint venture	647	430
– associates exempted from applying the equity method and were recognised as financial assets at fair value through profit or loss	91,497	119,900
Consultancy and other service income from an associate*	831	952
Bank interest income from a fellow subsidiary/a related party bank	50,355	72,986
Dividend income from:		
– associates exempted from applying the equity method and were recognised as financial assets at fair value through profit or loss	1,255,199	71,625
– a fellow subsidiary/a related party bank	372,497	402,562
Bank loans interest expense to a fellow subsidiary/a related party bank	89,511	58,425
Consultancy fee to an associate and a fellow subsidiary/a related party bank*	14,733	16,862
Custodian services fee to a fellow subsidiary/a related party bank*	706	973
Remuneration of key management personnel (including the Company's directors):		
– short-term employee benefits	15,272	24,221
– retirement scheme contributions	298	446

\* 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:

	2022 HK\$'000	2021 HK\$'000
Amounts due from associates (included in debtors, deposits, prepayments and others)	81,852	9,438
Bank deposits with a fellow subsidiary/a related party bank (including bank deposit in trust accounts)	2,773,125	2,815,406
Advances to:		
– associates exempted from applying the equity method and were recognised as financial assets at fair value through profit or loss	2,422,940	2,258,222
– an associate	603,400	–
Bank loans from a fellow subsidiary/a related party bank	(3,260,438)	(3,416,000)
Interests in collective investment schemes issued by a joint venture (included in financial assets at fair value through profit or loss)	3,384,805	4,614,443

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 bank deposits earn interest at floating rates based on daily bank deposit rates. The loans are unsecured, interest-bearing, and have a maturity within 1 year.

All advances to associates arising in the ordinary course of the money lending business are interest-bearing and certain of them are secured and unsecured respectively.

Interests 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) Loan to a Director

Loan to a director, 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, is 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	Charge over securities account (2021: Shares)	
Balance of loan as at 1 January 2021		–
Balance of loan as at 31 December 2021 (date of appointment as Executive Director of the Company)		6,145
Balance of loan as at 31 December 2022		3,061
Maximum amount outstanding during 2021		6,145
Maximum amount outstanding during 2022		6,164

There was no amount due but unpaid as at 31 December 2022. No provision has been made on the balance during the year.

## 37. COMMITMENTS

### (a) Capital commitments

As at 31 December 2022, the Group had capital commitments as follows:

	2022 HK\$'000	2021 HK\$'000
Contracted but not provided for:		
– consolidated structured entities	4,762,750	4,848,150
– unconsolidated structured entities	5,449,397	6,119,230
– unlisted equity investments	324,756	290,548
	10,536,903	11,257,928

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 2022, the undiscounted lease payments receivable by the Group in the future periods under non-cancellable operating leases with its tenants are as follows:

	2022 HK\$'000	2021 HK\$'000
Within 1 year	181,900	179,341
After 1 year but within 2 years	148,273	152,358
After 2 years but within 3 years	134,196	122,948
After 3 years but within 4 years	116,991	105,250
After 4 years but within 5 years	75,039	85,588
After 5 years	249,968	188,050
	906,367	833,535

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

The fair values and the contractual or notional amounts of the Group's trading derivatives outstanding at 31 December 2022 are detailed as follows:

	Fair value assets/(liabilities)		Contractual/ notional amounts	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Assets derivative contracts	39,217	30,084	619,248	1,156,323
Liabilities derivative contracts	(36,411)	(51,707)	2,464,207	2,356,986

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	<ul style="list-style-type: none"> <li>• Management fees</li> <li>• Investments held in the form of limited partnership interest of the funds</li> </ul>
Collective investment schemes	These vehicles are financed through the issue of units to investors	<ul style="list-style-type: none"> <li>• Investments in units issued by the structured entity</li> </ul>

As at 31 December 2022, the carrying value of interests held by the Group in unconsolidated structured entities amounted to HK\$21,559,069,000 (2021: HK\$30,592,792,000), which were recognised in financial assets at fair value through profit or loss in the consolidated statement of financial position.

As at 31 December 2022, 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\$6,067,597,000 (2021: HK\$12,267,259,000) and HK\$15,491,472,000 (2021: HK\$18,325,533,000) 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 2022, ECL of unsecured financial assets is measured based on PD at a range of 0.15% to 100% (31 December 2021: 0.16% to 57.58%) and LGD at a range of 10% to 88% (31 December 2021: 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 2022. 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 2022

	Note	12-month ECLs		Lifetime ECLs		
		Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	HK\$'000
Advances to customers	20	1,924,142	21,484	1,919,923	–	3,865,549
Debtors and deposits						
– Normal*		1,181,839	–	–	746,357	1,928,196
– Doubtful*		–	5,683	154,194	–	159,877
Cash and cash equivalents						
– Not yet past due	24	8,235,532	–	–	–	8,235,532
Finance lease receivables		–	–	58,824	–	58,824
		11,341,513	27,167	2,132,941	746,357	14,247,978

## As at 31 December 2021

	Note	12-month ECLs		Lifetime ECLs		
		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

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:

	2022				2021			
	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	3,523,042	3,523,042	3,523,042	-	3,237,957	3,237,957	3,237,957	-
Bank loans	20,916,972	22,839,215	12,647,722	10,191,493	21,866,356	23,055,820	10,340,916	12,714,904
Notes payable	-	-	-	-	27,000	27,945	27,945	-
Bonds payable	11,996,728	12,649,723	2,879,534	9,770,189	13,037,445	13,810,734	6,123,590	7,687,144
Trading securities	532,071	532,071	532,071	-	454,660	454,660	454,660	-
Other financial liabilities	6,848,651	6,848,651	441,187	6,407,464	7,972,777	7,972,777	171,818	7,800,959
Lease liabilities	64,967	67,721	37,631	30,090	92,375	97,629	42,129	55,500
	43,882,431	46,460,423	20,061,187	26,399,236	46,688,570	48,657,522	20,399,015	28,258,507

### (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 2022, a general increase/decrease of 0.5% in interest rates, with all other variables held constant, would have increased/decreased the Group's loss before tax, by HK\$81,696,758/HK\$76,590,215 (2021: decrease/increase of the Group's profit before tax by HK\$73,933,736/HK\$90,807,250 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 2021.

	2022		2021	
	Effective interest rate	HK\$'000	Effective interest rate	HK\$'000
<b>Assets</b>				
Advances to customers	9.6%	3,565,553	10.8%	3,450,156
Cash and cash equivalents	0.6%	8,235,532	0.5%	7,155,428
<b>Total interest-bearing assets</b>		<b>11,801,085</b>		<b>10,605,584</b>
<b>Liabilities</b>				
Bank loans	5.40%	20,916,972	1.97%	21,866,356
<b>Total interest-bearing liabilities</b>		<b>20,916,972</b>		<b>21,866,356</b>

**(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:

	2022			2021		
	In USD HK\$'000	In RMB HK\$'000	In SGD HK\$'000	In USD HK\$'000	In RMB HK\$'000	In SGD HK\$'000
Equity investments designated at fair value through other comprehensive income	-	5,405,184	-	-	6,386,344	-
Financial assets at fair value through profit or loss	6,779,599	2,388,442	-	12,936,726	4,781,928	-
Advances to customers	492,651	-	-	580,790	-	-
Amounts due from subsidiaries	-	13,975,175	-	-	13,635,700	-
Debtors, deposits, prepayments and others	263,128	19,242	3,333	153,990	47,125	-
Trading securities	13,823	185,281	-	23,586	310,340	64,328
Cash and cash equivalents	940,057	410,954	16,876	418,665	364,608	112
Bank loans	(2,437,500)	(1,544,882)	-	(3,346,200)	(96,879)	(96,880)
Bonds payable	(242,188)	(11,754,540)	-	(195,000)	(12,842,445)	-
Other financial liabilities	(498,579)	(325,796)	-	(1,148,121)	(506,000)	-
Creditors, deposits received and accrued charges	(328,836)	(217,993)	-	(297,950)	(187,676)	-
Net exposure arising from recognised assets and liabilities	4,982,155	8,541,067	20,209	9,126,486	11,893,045	(32,440)

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.

	2022			2021		
	Increase/ (decrease) in exchange rates	Effect on loss before tax HK\$'000	Effect on other components of equity HK\$'000	Increase/ (decrease) in exchange rates	Effect on profit before tax HK\$'000	Effect on other components of equity HK\$'000
Renminbi, RMB	1% (1%)	31,359 (31,359)	54,052 (54,052)	1% (1%)	55,067 (55,067)	63,863 (63,863)

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 2021.

**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 2021:

	2022			2021		
	Increase/ (decrease) in equity price	Effect on loss 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% (10%)	144,355 (144,355)	540,518 (540,518)	10% (10%)	303,406 (303,406)	638,634 (638,634)
Unlisted equity investments	5% (5%)	1,334,656 (1,334,656)	– –	5% (5%)	1,885,261 (1,885,261)	– –

**39. FINANCIAL INSTRUMENTS** (continued)**(f) Interest rate benchmark reform**

As at 31 December 2022, 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 2022**

	Non-derivative financial liabilities – carrying value HK\$'000
Interest-bearing bank and other borrowings – United States dollar LIBOR	679,688

**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

**39. FINANCIAL INSTRUMENTS** (continued)**(g) Offsetting financial assets and financial liabilities****Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements**

Financial assets	Gross amounts of recognised financial assets in the consolidated statement of financial position 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 2022					
Trading securities	2,823,631	–	2,823,631	(239,942)	2,583,689
Debtors, deposits, prepayments and others	14,897	–	14,897	–	14,897
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

**Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements**

Financial liabilities	Gross amounts of recognised financial liabilities in the consolidated statement of financial position 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 2022					
Trading securities	361,339	–	361,339	(239,942)	121,397
Creditors, deposits received and accrued charges	995,755	–	995,755	–	995,755
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



**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	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 2022				
Trading securities	2,823,631	4,098,142	1,274,511	23
Debtors, deposits, prepayments and others	14,897	1,984,185	1,969,288	22
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

Financial liabilities	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 2022				
Trading securities	361,339	532,071	170,732	23
Creditors, deposits received and accrued charges	995,755	3,523,042	2,527,287	25
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

**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 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 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 Risk Management, Legal and Compliance 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 2022

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Recurring fair value measurement</b>				
<b>Assets</b>				
Equity investments designated at fair value through other comprehensive income:				
– Listed equity securities	5,405,184	–	–	5,405,184
Financial assets at fair value through profit or loss:				
– Listed equity securities	1,013,060	–	318,667	1,331,727
– Unlisted equity securities/collective investment schemes	–	–	26,693,119	26,693,119
– Unlisted preference shares	–	–	6,250,280	6,250,280
– Unlisted debt securities	–	–	799,778	799,778
	1,013,060	–	34,061,844	35,074,904
Trading securities:				
– Listed equity securities	431,457	–	–	431,457
– Listed debt securities	–	3,490,178	–	3,490,178
– Unlisted debt securities	–	137,290	–	137,290
– Listed derivatives	330	–	–	330
– Unlisted derivatives	–	38,887	–	38,887
	431,787	3,666,355	–	4,098,142
<b>Liabilities</b>				
Trading securities:				
– Listed equity securities	(314,909)	–	–	(314,909)
– Listed debt securities	–	(176,022)	–	(176,022)
– Listed funds	(4,729)	–	–	(4,729)
– Listed derivatives	(127)	–	–	(127)
– Unlisted derivatives	–	(36,284)	–	(36,284)
	(319,765)	(212,306)	–	(532,071)

## 40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy (continued)

As at 31 December 2021

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Recurring fair value measurement</b>				
<b>Assets</b>				
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
<b>Liabilities</b>				
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)

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 2022 and 2021.

**40. FAIR VALUES OF FINANCIAL INSTRUMENTS** (continued)**Fair value hierarchy** (continued)

As at 31 December 2022, one of the financial assets at fair value through profit or loss with fair values of HK\$41,056,000 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 were accordingly transferred from Level 3 to Level 1 of the fair value hierarchy.

Besides, one of the financial assets at fair value through profit or loss with fair values of HK\$230,152,000 previously determined to be Level 1 under the fair value hierarchy using unadjusted quoted prices available in the active market was suspended in trading during the year and has been valued using a valuation technique with significant unobservable inputs. As such, the fair value measurement of these equity securities were accordingly transferred from Level 1 to Level 3 of the fair value hierarchy.

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.

During the year ended 31 December 2022 and 2021, 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 2022

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	10% to 30%	5% (5%)	(42,793) 42,793
	Market multiples	0.7 to 31.2	5% (5%)	161,597 (161,597)
Binomial model and equity allocation model	Volatility	28.54% to 94.60%	5% (5%)	1,176 (1,116)
Put option model	Discount for lack of marketability for restricted shares	5.17% to 8.80%	5% (5%)	(881) 881

**40. FAIR VALUES OF FINANCIAL INSTRUMENTS** (continued)

## Information about Level 3 fair value measurements (continued)

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% (5%)	(40,732) 40,732
	Market multiples	0.7 to 33.1	5% (5%)	86,898 (86,898)
Binomial model and equity allocation model	Discount rate	6.29% to 30.00%	5% (5%)	(1,845) 1,872
	Volatility	36.02% to 67.30%	5% (5%)	4,270 (4,105)
Put option model	Discount for lack of marketability for restricted shares	4.10% to 9.91%	5% (5%)	(422) 422

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 Stock Exchange of Hong Kong 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 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)
<b>At 31 December 2021 and 1 January 2022</b>	<b>132,910</b>	<b>37,705,211</b>	<b>8,309,392</b>	<b>1,537,058</b>	<b>47,684,571</b>
Purchased	–	553,494	139,263	–	692,757
Net unrealised gains or loss recognised in profit or loss	(265,508)	(5,787,778)	(1,926,925)	(262,080)	(8,242,291)
Exchange adjustments	(11,001)	(2,045,038)	(490,518)	(31,083)	(2,577,640)
Disposals	(42,641)	(3,496,158)	–	(145,850)	(3,684,649)
Reclassification	504,907	(236,612)	219,068	(298,267)	189,096
<b>At 31 December 2022</b>	<b>318,667</b>	<b>26,693,119</b>	<b>6,250,280</b>	<b>799,778</b>	<b>34,061,844</b>

## 41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Reconciliation of (loss)/profit before taxation to net cash flows from operating activities:

	2022 HK\$'000	2021 HK\$'000
(Loss)/profit before taxation	(8,623,742)	3,540,553
Interest income on bank deposits	(97,779)	(113,418)
Interest expenses	1,109,315	937,446
Dividend income	(372,497)	(402,562)
Share of profits less losses of joint ventures	(17,123)	(59,237)
Share of profits less losses of associates	(616,886)	(1,229,097)
Depreciation and amortisation expenses	66,597	67,220
Realised gain on partial disposal of an associate	(14,306)	–
Gain on losing control of subsidiaries	–	(26,672)
Net loss on revaluation of investment properties	92,839	382,979
Gain on disposal of investment properties	–	(4,540)
(Gain)/loss on disposal of property, plant and equipment	(99)	296
Impairment loss of investment in associates	1,128,501	400,000
Impairment loss on advances to customers	263,930	23,190
Impairment loss on finance lease receivables	24,040	17,200
Impairment loss of inventories	606,747	–
Impairment loss of debtors, deposits prepayment and others	72,871	–
Impairment loss of property, plant and equipment	14,553	–
Cash (outflow)/inflow before working capital changes	(6,363,039)	3,533,358
(Increase)/decrease in finance lease receivables	(1,042)	507
(Increase)/decrease in debtors, deposits, prepayments and others	(239,913)	309,712
Decrease/(increase) in inventories	165,581	(8,767)
Increase in trading securities	(769,337)	(285,273)
Increase in advances to customers	(328,344)	(1,260,343)
Decrease/(increase) in financial assets at fair value through profit or loss	12,311,516	(5,457,314)
(Decrease)/increase in other financial liabilities	(650,918)	206,053
Increase/(decrease) in creditors, deposits received and accrued charges	242,157	(157,760)
Hong Kong profits tax paid	(66,874)	(32,537)
Overseas profits tax paid	(240,224)	(353,062)
Net cash inflow/(outflow) from operating activities	4,059,563	(3,505,426)

**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)
<b>Net cash outflow from losing control of subsidiaries</b>	<b>(479,968)</b>
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
<b>Gain on losing control of subsidiaries</b>	<b>26,672</b>



## 41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (c) Changes in liabilities arising from financing activities

	1 January 2022 HK\$'000	Net cash flows HK\$'000	Foreign exchange movement HK\$'000	Dividend declared HK\$'000	Other HK\$'000	31 December 2022 HK\$'000
Bank loans	21,866,356	(804,834)	(144,550)	-	-	20,916,972
Notes payable	27,000	(27,000)	-	-	-	-
Dividend payable	-	(758,364)	-	758,364	-	-
Bonds payable	13,037,445	225,347	(1,266,064)	-	-	11,996,728
Lease liabilities	92,375	(43,096)	(4,345)	-	20,033	64,967
<b>Total liabilities from financing activities</b>	<b>35,023,176</b>	<b>(1,407,947)</b>	<b>(1,414,959)</b>	<b>758,364</b>	<b>20,033</b>	<b>32,978,667</b>

	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
<b>Total liabilities from financing activities</b>	<b>31,710,927</b>	<b>1,755,079</b>	<b>468,239</b>	<b>1,061,710</b>	<b>27,221</b>	<b>35,023,176</b>

## 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. During the year, the operating segment of "Wealth Management" has been consolidated into "Primary Market Investments". Segment information for the year ended 31 December 2021 and as at 31 December 2021 was restated to reflect the change in composition of the reportable segments.

### 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 and Fund of Funds investment ("FoF").

- 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, consumer market, wealth management 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.

### 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 2022:

	Fund Management Business			Principal Investments Business			Reportable segments total HK\$'000	Total HK\$'000
	Primary Market Investments	Secondary Market Investments	Fund of Funds Investments	Key Investee Companies	Financial Investments	Cornerstone Investments		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Income from contract with customers	557,262	54,146	25,096	-	206,571	-	843,075	843,075
Income from investments	(2,831,068)	(471,352)	378,989	(1,101,161)	(2,247,906)	386,803	(5,885,695)	(5,885,695)
Income from other sources	-	(28,332)	-	-	(47,075)	-	(75,407)	(75,407)
Total income	(2,273,806)	(445,538)	404,085	(1,101,161)	(2,088,410)	386,803	(5,118,027)	(5,118,027)
Segment operating results	(3,765,943)	(562,777)	376,265	(1,212,175)	(3,205,604)	386,803	(7,983,431)	(7,983,431)
Unallocated head office and corporate expenses*								(1,274,320)
Share of profits less losses of associates	(52,534)	-	-	(11,128)	(7,678)	688,226	616,886	616,886
Share of profits less losses of joint ventures	18,572	-	-	-	(1,449)	-	17,123	17,123
(Loss)/profit before taxation	(3,799,905)	(562,777)	376,265	(1,223,303)	(3,214,731)	1,075,029	(7,349,422)	(8,623,742)
Less: Non-controlling interests	131,535	45,348	-	-	169,417	-	346,300	
Segment results	(3,668,370)	(517,429)	376,265	(1,223,303)	(3,045,314)	1,075,029	(7,003,122)	
Other segment information :								
Interest income	195,950	116,862	58,485	24,489	167,936	-	563,722	
Impairment losses recognised in the statement of profit or loss	1,354,134	-	-	111,014	645,494	-	2,110,642	

\* 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 2021 (Restated):

	Fund Management Business			Principal Investments Business			Reportable segments total HK\$'000	Total HK\$'000
	Primary Market Investments	Secondary Market Investments	Fund of Funds Investments	Key Investee Companies	Financial Investments	Cornerstone Investments		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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)
<b>Total income</b>	<b>2,649,068</b>	<b>88,010</b>	<b>943,087</b>	<b>650,362</b>	<b>(36,208)</b>	<b>402,562</b>	<b>4,696,881</b>	<b>4,696,881</b>
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	59,980	-	(31)	-	(712)	-	59,237	59,237
<b>(Loss)/profit before taxation</b>	<b>2,214,122</b>	<b>(31,823)</b>	<b>907,902</b>	<b>828,996</b>	<b>(473,860)</b>	<b>1,278,065</b>	<b>4,723,402</b>	<b>3,540,553</b>
Less: Non-controlling interests	(65,743)	(86,449)	(96,812)	-	138,062	-	(110,942)	
<b>Segment results</b>	<b>2,148,379</b>	<b>(118,272)</b>	<b>811,090</b>	<b>828,996</b>	<b>(335,798)</b>	<b>1,278,065</b>	<b>4,612,460</b>	
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)

#### Other Information

As at 31 December 2022

	Fund Management Business			Principal Investments Business			Reportable segments total HK\$'000	Total HK\$'000
	Primary Market Investments	Secondary Market Investments	Fund of Funds Investments	Key Investee Companies	Financial Investments	Cornerstone Investments		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Segment assets	19,397,815	5,224,606	10,111,206	3,210,177	21,767,112	5,451,519	65,162,435	65,162,435
Investments in associates	2,533,808	-	-	2,339,330	479,902	12,649,524	18,002,564	18,002,564
Investments in joint ventures	925,780	-	-	-	377	-	926,157	926,157
Unallocated head office and corporate assets								385,455
<b>Total assets</b>								<b>84,476,611</b>
Segment liabilities	2,508,991	1,704,811	4,820,577	-	4,152,105	6,717	13,193,201	13,193,201
Unallocated head office and corporate liabilities								30,689,230
Provision for taxation								585,193
Deferred tax liabilities								2,131,886
<b>Total liabilities</b>								<b>46,599,510</b>

As at 31 December 2021 (Restated)

	Fund Management Business			Principal Investments Business			Reportable segments total HK\$'000	Total HK\$'000
	Primary Market Investments	Secondary Market Investments	Fund of Funds Investments	Key Investee Companies	Financial Investments	Cornerstone Investments		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	1,059,337	-	-	-	2,003	-	1,061,340	1,061,340
Unallocated head office and corporate assets								407,862
<b>Total assets</b>								<b>101,793,561</b>
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
<b>Total liabilities</b>								<b>50,757,031</b>

**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 2022			For the year ended 31 December 2021		
	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	491,508	351,567	843,075	219,881	439,511	659,392
Income from investments	(401,788)	(5,483,907)	(5,885,695)	1,385,977	2,928,045	4,314,022
Income from other sources	(165,197)	89,790	(75,407)	68,382	(344,915)	(276,533)
	(75,477)	(5,042,550)	(5,118,027)	1,674,240	3,022,641	4,696,881

	For the year ended 31 December 2022			For the year ended 31 December 2021		
	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	2,622,187	21,726,425	24,348,612	2,597,988	24,832,093	27,430,081

**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 – Everbright Jiabao**

As at 31 December 2022, the cumulative impairment allowance and net carrying value of the Group's investment in Everbright Jiabao, an associate of the Group, amounted to HK\$1,598,827,000 and HK\$2,475,081,000 respectively. For impairment testing, the Group engaged an external specialist to estimate the value-in-use of Everbright Jiabao, 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 Everbright Jiabao and the discount rate applied.

#### **44. BANKING FACILITIES AND PLEDGE OF ASSETS**

Aggregate banking facilities of the Group as at 31 December 2022 amounted to HK\$32.9 billion (2021: HK\$31.9 billion). The Group has utilised HK\$20.9 billion (2021: HK\$21.9 billion) of these facilities.

As at 31 December 2022, restricted deposits of HK\$664.102 million (31 December 2021: nil) were pledged to a bank to secure a banking facility granted to the Group. Restricted bank balances of HK\$45.598 million (31 December 2021: HK\$49.189 million) were pledged to the banks for sales of mortgaged properties to customers and interest reserve account on borrowings, and HK\$244.293 million (31 December 2021: 211.979 million) were used to secure certain bonds payable of the Group. Investment properties, property, plant and equipment, inventories and shares with carrying values of HK\$4,362 million (31 December 2021: HK\$4,759 million), HK\$23 million (31 December 2021: HK\$23 million), HK\$383 million (31 December 2021: HK\$438 million) and HK\$1,563 million (31 December 2021: 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 2022, assets deposited with the prime brokers included HK\$1,514 million (31 December 2021: HK\$1,618 million) and HK\$0.5 million (31 December 2021: 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 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>2</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>1</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>1, 4</sup>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> <sup>5</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> <sup>2, 3</sup>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>1</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>1</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 to align the corresponding wording with no change in conclusion

<sup>4</sup> 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

<sup>5</sup> An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

## 45. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the consolidated financial statements of the Group.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the consolidated financial statements of the Group.

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 revisiting the accounting policy disclosures to ensure consistency with the amendments.

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 consolidated financial statements of the Group.

## 45. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 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 (provided that sufficient taxable profit is available) 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 consolidated financial statements of the Group.

## 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 People’s Court issued civil rulings in December 2022 to remove the preservation of the preserved assets of the Group. 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 99 to 193 were approved and authorised for issue by the Board of Directors on 17 March 2023.

# FINANCIAL SUMMARY

## RESULTS

	For the years ended 31 December				
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Turnover	9,211,012	12,617,142	22,682,402	21,785,133	7,707,730
Profit/(loss) from operating activities after finance costs and impairment losses	2,683,306	1,850,640	2,598,936	2,252,219	(9,257,751)
Share of profits less losses of associates and joint ventures	700,982	912,167	606,320	1,288,334	634,009
Profit/(loss) before taxation	3,384,288	2,762,807	3,205,256	3,540,553	(8,623,742)
Income tax (expenses)/credit	(380,099)	(551,037)	(948,118)	(768,186)	923,427
Profit/(loss) from continuing operations	3,004,189	2,211,770	2,257,138	2,772,367	(7,700,315)
Discontinued operations	6,775	–	–	–	–
Profit/(loss) for the year	3,010,964	2,211,770	2,257,138	2,772,367	(7,700,315)
Attributable to:					
Equity shareholders of the Company	3,103,917	2,237,166	2,264,175	2,572,840	(7,443,299)
Holders of senior perpetual capital securities	–	–	15,736	88,585	89,284
Non-controlling interests	(92,953)	(25,396)	(22,773)	110,942	(346,300)
	3,010,964	2,211,770	2,257,138	2,772,367	(7,700,315)
Earnings/(loss) per share (HK\$)	1.842	1.327	1.344	1.527	(4.417)

## ASSETS AND LIABILITIES

	As at 31 December				
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Total assets	77,260,764	86,496,483	96,974,800	101,793,561	84,476,611
Total liabilities	(35,880,567)	(42,709,113)	(47,541,819)	(50,757,031)	(46,599,510)
Senior perpetual capital securities	–	–	(2,341,276)	(2,341,161)	(2,341,083)
Non-controlling interests	(1,521,535)	(2,196,045)	(1,654,688)	(1,759,044)	(1,046,815)
Shareholders' fund	39,858,662	41,591,325	45,437,017	46,936,325	34,489,203

## 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

Yu Fachang (Chairman)<sup>#</sup>  
Zhang Mingao (President)  
Wang Hongyang  
Yin Yanwu  
Pan Wenjie<sup>#</sup>  
Fang Bin<sup>#</sup>  
Lin Zhijun<sup>\*</sup>  
Chung Shui Ming Timpson<sup>\*</sup>  
Law Cheuk Kin Stephen<sup>\*</sup>

<sup>#</sup> Non-executive Directors

<sup>\*</sup> Independent Non-executive Directors

## 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  
Bank of China (Hong Kong) Limited  
Shanghai Pudong Development Bank Co., Ltd,  
Hong Kong Branch

## SHARE REGISTRAR

Tricor Secretaries Limited  
17/F, Far East Finance Centre  
16 Harcourt Road, Hong Kong

## AUDITOR

Ernst & Young  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

## WEBSITE ADDRESS

<http://www.everbright.com>

## INVESTOR RELATIONS CONTACT

[ir@everbright.com](mailto:ir@everbright.com)

## STOCK CODE

165



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