光大控股
EVERBRIGHT LIMITED

The Power to *Transform*
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INNOVATION AND METAMORPHOSIS
FOR PROMISING FUTURE

鼎 新 · 蛻 變
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COVER *STORY*

INNOVATION AND METAMORPHOSIS
FOR PROMISING FUTURE

The piano, known as the "King of Musical Instruments",
is built with 88 keys and 240 steel strings
to orchestrate its sophisticated and complicated world.

Changes in the internal and external environment
will affect the timbre of a piano.
A professional piano tuner,
through precise adjustments to the structure,
ensures the piano has a wide diapason and
distinct and harmonious tones,
bringing the essence of the "King" to the extreme.

With a flexible and keen sense of touch as well as professional
and powerful capabilities,
CEL has fine-tuned its structure and optimised resource
allocation to achieve breakthroughs and stay innovative,
poised to orchestrate a more vigorous,
lofty and promising new chapter.

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Financial *Section*

KEEN

CAPITALISING ON THE SITUATION TO FORGE COMPETITIVE EDGES

A piano tuner has a sharper sense of hearing and touch than the average, and thus can flexibly tune the tone optimal for the piano and the player through the cooperation of ears and hands.

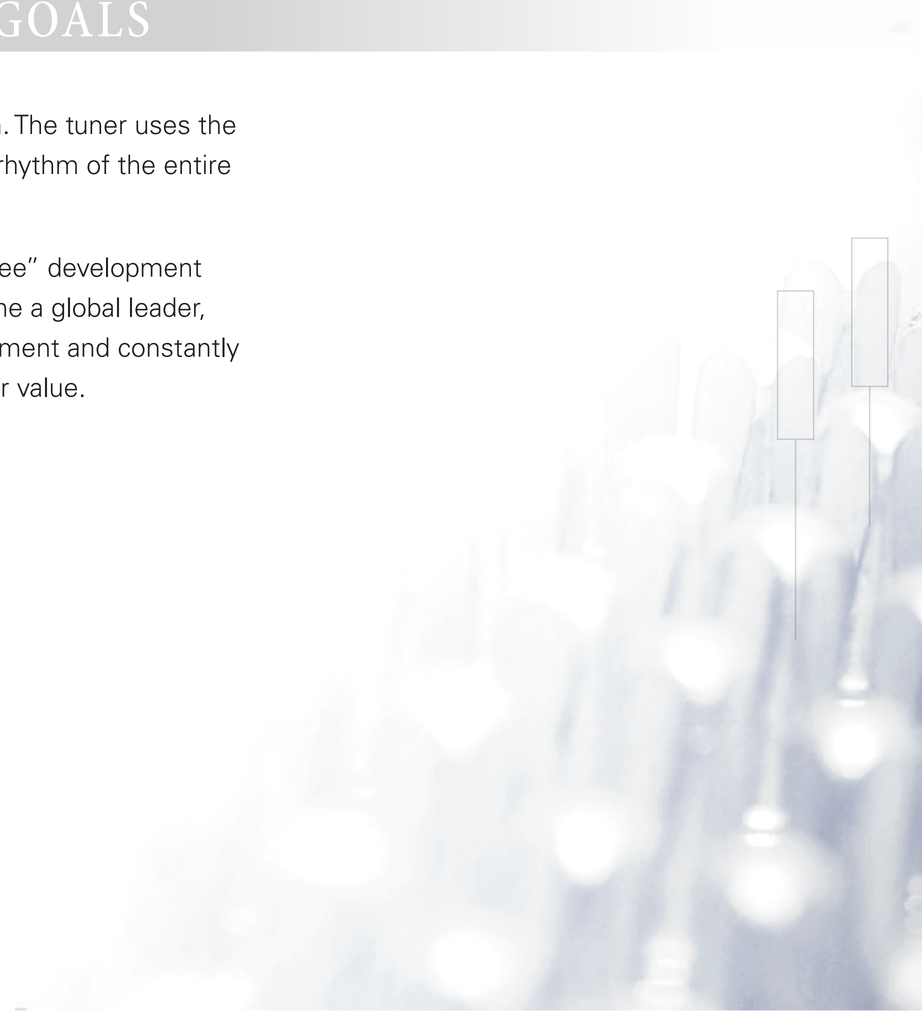
Built with a keen sense of the market, CEL is able to capitalise on the situation and opportunities to give full play to its advantages in cross-border asset management and investment while flexibly providing diversified products and services to investors at home and abroad.

DEDICATE

COMMITTED TO THE STRATEGY AND FOCUSING ON GOALS

Tuning requires calm and concentration. The tuner uses the tuning fork to find the pitch before the rhythm of the entire piano is fine-tuned.

CEL is committed to the "One Four Three" development strategy, unwaveringly strives to become a global leader, focuses on cross-border asset management and constantly fine-tunes its structure to create greater value.

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PATIENCE

MANAGEMENT IMPROVEMENT & CONTINUOUS OPTIMISATION

The piano tuner employs the tuning hammer to repeatedly fine-tune the pins, with his other hand playing the keys to test the piano for fine-tuning until the perfect tones are found.

CEL focuses on refined management and continuously improves the Company's governance capabilities by fine-tuning its structure, optimising resource allocation, innovating its development mechanisms and strengthening its overall coordination and management and control.

COMPANY *OVERVIEW*

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

CEL is committed to become the "world's leading cross-border asset management company", and has more than two decades of experience in cross-border asset management and private equity (PE) investment. Meanwhile, CEL is also regarded as one of the top PE firms in China. CEL's key operating business mainly comprises fund management and principal investment businesses. At the same time, CEL uses seed capital to nurture the fund management business. In addition, the Group's principal investment arm directly invests in multiple industry platforms with promising growth potential, in order to create a unique CEL business model, to form robust synergy between industrial and asset management capabilities, and to further achieve sustainable growth.

For Fund Management Business, as of the end of 2020, the total assets under management (AUM)[1] of CEL was approximately HK$182.8 billion, with 78 funds under management, including Primary Market Funds, Secondary Market Investment and Funds-of-Funds. CEL's fund management business has nurtured many valuable enterprises with high growth potential alongside with its investors. Based on the needs of Chinese economy, CEL also strives to forge the synergy between Chinese and overseas products/technologies, and to provide comprehensive financial services to Chinese and overseas investors.

HKD **182.8** billion AUM

78 Investment Funds

In respect of Principal Investments Business, CEL incubated China Aircraft Leasing Group Holdings Limited ("CALC"), the largest independent aircraft leasing operator in China; consolidated mid-end to high-end senior healthcare companies to form a quality senior healthcare brand, China Everbright Senior Healthcare Company Limited ("Everbright Senior Healthcare"); incubated Chongqing Terminus Technology Co., Ltd. ("Terminus"), a unicorn company in the artificial intelligence and Internet of Things ("AIoT") industry; and developed EBA Investments' Real Estate Fund ("EBA Investments")/Everbright Jiabao Co., Ltd. ("Everbright Jiabao") platform[2], a leading real estate private equity fund in China. Meanwhile, CEL also invests in structured financing products to achieve a balanced return and liquidity in its principal investments. In addition, CEL holds part of the equity interests of China Everbright Bank Company Limited ("China Everbright Bank") and Everbright Securities Company Limited ("Everbright Securities") as cornerstone investments.

1 Total assets under management refers to the committed capital of fund investors (including CEL as an investor).
2 Among these, EBA Investments' real estate platform is under the Fund Management Business.

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FUND MANAGEMENT BUSINESS

PRIMARY MARKET FUNDS	SECONDARY MARKET FUNDS	FUNDS-OF-FUNDS

- Fund products including primary market funds (including real estate private funds under EBA Investments), secondary market funds and funds-of-funds, among others
- Both Domestic and overseas investments, with USD and RMB-denominated products
- AUM amounting to approximately HK$182.8 billion, of which seed capital contributed by CEL accounts for 23%, with an amount of approximately HK$41.7 billion

PRINCIPAL INVESTMENTS BUSINESS

STRATEGIC INDUSTRY PLATFORMS	FINANCIAL INVESTMENTS	CORNERSTONE INVESTMENTS

- Strategic Industry Platforms: focusing on aircraft full life-cycle services, artificial intelligence and Internet of Things (AIoT) and senior healthcare management
- Financial Investments: financial investments in equity, debts and structured products
- Cornerstone Investments: part of the equity interests in China Everbright Bank and Everbright Securities
- The total asset value of the Principal Investments Business amounting to HK$40.4 billion

Humongous resources and business network

The parent company Everbright Group is a large-scale enterprise group directly under the State Council and possesses huge business resources in China

Market-oriented and international

As a listed company based in Hong Kong for years, CEL has a market-oriented and international investment team and governance experience

Diversified multi-industry investment

Through the funds under its management and its own funds, CEL has invested in more than 300 companies worldwide, involving more than ten industries

Cross-border dual currency platform

Possessing rich cross-border business licenses and experience advantages, with both USD and RMB products, fully capturing good investment opportunities domestically and abroad

Financial strength

Possessing strong capital strength and market fund-raising ability to promote the rapid development of asset management business

Co-investment mechanism

CEL has funds and teams with expertise in operation and management in each relevant industry, and has established a mature co-investment mechanism to ensure that the interests of the teams and the funds and the Company are highly aligned

2020 BUSINESS *DEVELOPMENT HIGHLIGHTS*

STRATEGIC TRANSFORMATION

In 2019, CEL launched a strategic reform towards the goal of being the "world-leading cross-border asset management company", and launched the "1-4-3" strategy. In the face of the COVID outbreak and the challenging macro-environment in 2020, CEL responded actively to the changing situations, and executed the "1-4-3" strategy during the year with confidence. The plan takes alternative asset management business as a core business, focusing on four key industries: real estate asset management, aircraft full life-cycle services, AIoT and senior healthcare, with an aim to expand as the leading company and synergise the development of the principal business, while improving the attributes of being market-oriented, professional and international to support the development of the principal business. The "1-4-3" strategy effectively supported CEL to achieve hard-won results in year of 2020.

"1-4-3" STRATEGIC PLAN

ESTABLISHING COMPETITIVE EDGE OF THE ALTERNATIVE ASSET MANAGEMENT BUSINESS ON KEY INDUSTRIES, AND BECOMING THE WORLD-LEADING CROSS-BORDER ASSET MANAGEMENT COMPANY

ONE CORE BUSINESS

- Alternative asset management business

FOUR KEY INDUSTRIES CULTIVATION

- Real estate asset management
- Aircraft full life-cycle services
- AIoT
- Senior healthcare

THREE MAJOR ATTRIBUTES

- Market-oriented
- Professional
- International

2020 Business Review Highlights

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

Achieving new progress in overall strength and strategic ranking	In 2020, under the new strategy, CEL made progress on strategic ranking and ranked 84th among world's largest private equity firms by PEI 300, rising by 11 places as compared to 2019.
Continuously improving core business and key operating activities in fundraising, investment, management and exit	- Fundraising overcame the market headwind: In 2020, despite the continued challenging conditions for fundraising in China's PE industry, CEL achieved good performance by taking proactive fundraising measures. The total increase in fundraising of CEL's funds amounted to approximately HK$27.15 billion, and the AUM reached approximately HK$182.8 billion, representing a year-on-year growth of approximately 16%; the AUM per capital (AUM divided by no. of employees of the Group's headquarter and fully owned subsidiaries) was approximately HK$600 million, representing a year-on-year growth of approximately 37.4%, demonstrating an improved efficiency in asset management. Robust fundraising activities also laid a solid foundation for future development; - Optimised investment portfolio: The investment amount for the year was approximately HK$13.6 billion, mainly in the sectors of green economy, healthcare and technology, with a continuously optimised investment portfolio; - Strict management of risk exposures: In 2020, the Company continued to strengthen the risk management of more than 240 post-investment projects by closely monitoring risk exposures, and resolving risk matters in a timely manner; - Realised gain from project exits reached a new high in recent 3 years: During the year, CEL realised cash inflow of approximately HK$12.4 billion with an average project exit internal rate of return ("IRR") of 15%. Notably, the realised gain on investments amounted to HK$2,013 million, of which the net realised gain on financial assets at fair value through profit or loss amounted to HK$1.81 billion.
Successfully overcoming external challenges, and delivering results in value creation	Despite the unprecedented external shocks, the Company recorded total amount of income of HK$5,592 million (the calculation method of which is set out in the note on page 34 of this report), representing an increase of 1.3% as compared to the same period last year. The net profit attributable to the shareholders of the Company for the year was approximately HK$2,264 million, representing an increase of 1.2% and achieving growth in the market headwind.
Strategically evolving into capital-light business model, and appropriately revitalizing cornerstone assets	CEL executed the capital-light management transformation strategy in discipline, and continuously revitalised its cornerstone assets by capturing appropriate market window. In 2020, CEL reduced its holdings of 21.783 million shares of Everbright Securities, and realised a gain on investments of HK$251 million by capitalising on the favourable opportunity of China's rising A-share market.

Continuously providing strategic resources for industrial platforms, as well as improving the synergy between industrial platforms and asset management businesse line	CEL further strengthened the synergy between industrial and investment platforms, and nurtured various industry platforms to reinforce their market leading position and cultivate core competitive strength. - CALC maintained its position as one of the world's leading aircraft lessors, ranked 9th in 2020 ICF International; - The number of beds of Everbright Senior Healthcare exceeded 28,000 beds, maintaining a leading position in China; - Terminus ranked No.1 in "2020 Deloitte Technology Fast Growth 50 China" released by Deloitte; - EBA Investments was ranked the 1st of the "Top 10 Funds in terms of Comprehensive Strength among China Real Estate Funds" for six consecutive years. While developing industry platforms, CEL promoted the synergic collaboration between industry and asset management business, and the results had been wonderful. In 2020, CEL newly raised funds of HK$3.61 billion for EBT Investment Fund to capitalise on the industrial capabilities of Terminus, and newly raised funds of HK$1.78 billion for aviation-themed funds to leverage the industrial capabilities of CALC.
Significantly strengthening strategic synergy in the ecosystem, and creating solid results through coordinated development	CEL strengthened in-depth synergic collaboration with all of the business units within the Everbright Group, and promoted the coordinated development of various businesses by leveraging their complementary advantages. As of the end of 2020, the Company cooperated with many industrial entities within the Everbright Group, and the scale reported continuous increase. To name a few, the Company issued senior perpetual capital securities drawing upon the advantage of Everbright Group in capital market business; EBA Investments, an associated company, jointed with Everbright Securities to launch RMB1.72 billion REITs products; and CALC, an associated company, developed an aircraft asset package project of approximately US$300 million with Everbright Financial Leasing.
Improving operational/ managerial capabilities to advance headquarter-driven functions	- In 2020, CEL further strengthened the headquarter-driven functions, refined its organisational structure, and increased efforts in the coordinated development among its industrial platforms; - CEL set up the Operation Centre as an initiative to implement the construction of "one consolidated mid-office" in order to improve its decision-making and operating efficiency; - CEL also launched the headquarter-driven asset allocation practice to further strengthen its portfolio allocation capabilities, as well as enhance the investment management capabilities.
Providing dedicated care for employees' well beings, and achieving a remarkable result in COVID prevention and control	In the face of sudden pandemic, CEL paid great attention to the health of its employees and established a dedicated leading group to strengthen pandemic prevention and control. As a result, none of the employees of the Group had been infected, and no confirmed case had been reported in the elderly facilities of Everbright Senior Healthcare. In addition, CEL showed great social responsibilities and cares during the pandemic, and donated resources dedicated to fight the pandemic in the total amount of RMB6.06 million for the year of 2020.

Key Income Items

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

Profit in Key Business Segments

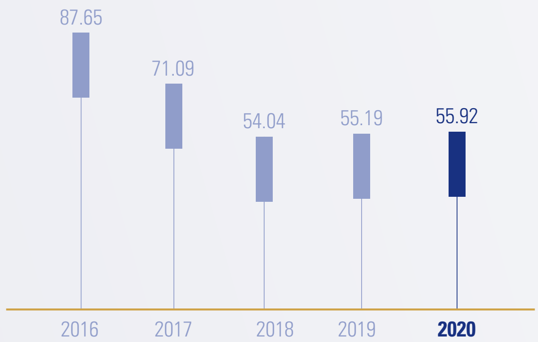
(in HK$ hundred million)	2020	2019	Change
Profit from Fund Management Business	11.65	12.44	(6%)
Profit from Principal Investments Business:	33.98	30.55	11%
– Strategic industry platform (CALC, Everbright Senior Healthcare, Terminus)	14.07	7.37	91%
– Financial investments	8.10	18.82	(57%)
– Cornerstone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

Distribution of Equity Attributable to the Company's Shareholders

(in HK$ hundred million)	2020	2019	Change
Shareholders' equity (other than cornerstone investments held)	254	226	12%
Cornerstone investments			
– Equity interests in Everbright Securities	125	113	11%
– Equity interests in China Everbright Bank	75	77	(3%)
Total equity attributable to shareholders of the Company	454	416	9%

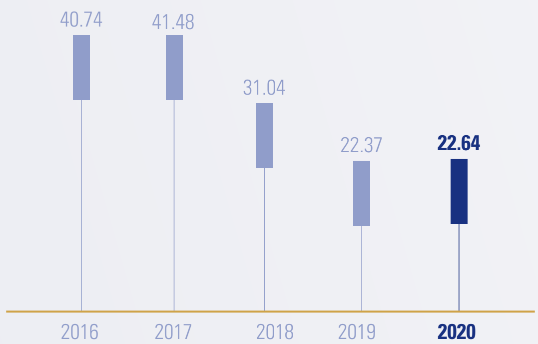
TOTAL AMOUNT OF INCOME[1]

(HK$ hundred million)



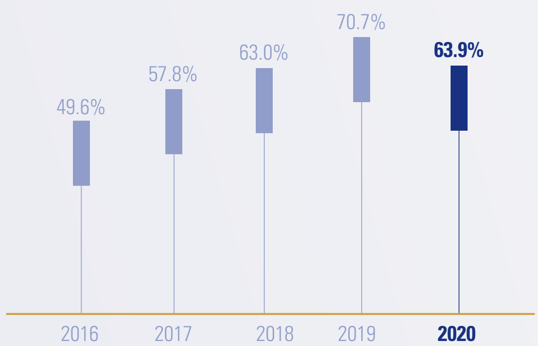
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(HK$ hundred million)



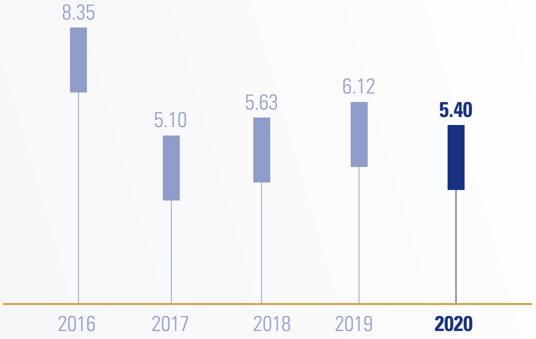
GEARING RATIO[2]

(%)

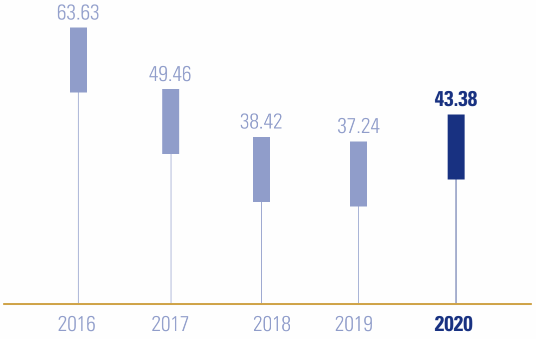


2020 BUSINESS DEVELOPMENT HIGHLIGHTS continued

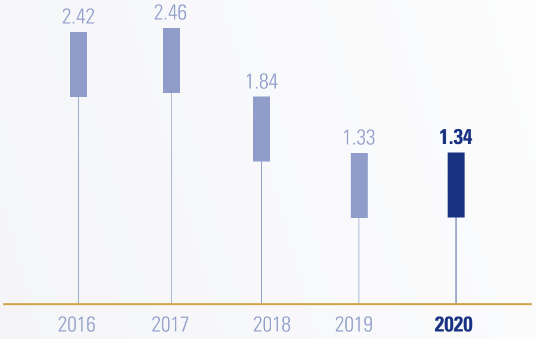
INCOME FROM CONTRACTS WITH CUSTOMERS
(HK$ hundred million)



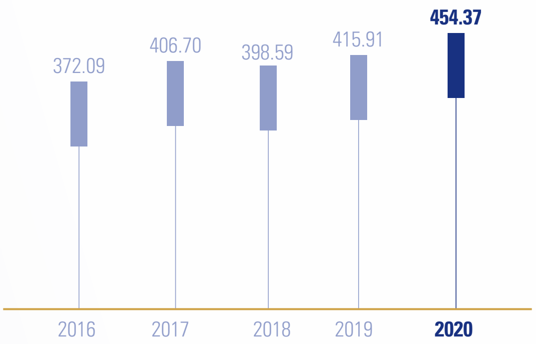
INCOME FROM INVESTMENTS
(HK$ hundred million)



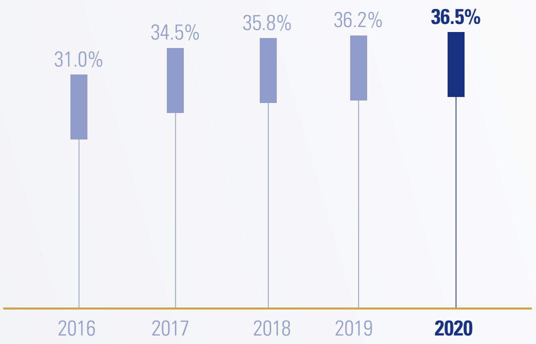
BASIC EARNINGS PER SHARE
(HK$)



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



DIVIDEND PAYOUT RATIO
(%)



Note:

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

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

2020 *REVIEW*

BUSINESS REVIEW

The year 2020 has been an extraordinary year. Under the severe and complex external challenges, CEL has achieved steady business performance by focusing on pandemic prevention and business development. This year, CEL has made outstanding achievements in fund establishment and fund raising, project investment, and project divestment. The four major industrial platform companies (CALC, Everbright Jiabao/EBA Investments, Everbright Senior Healthcare and Terminus) have integrated industrial investment and the asset management business to achieve substantial business development during the year.

Important Business Developments

- CEL established a leading group and working group for pandemic prevention, and comprehensively coordinated the anti-pandemic work of headquarters and key platform enterprises, to ensure employee health and work resumption, and therefore no one in CEL was infected.

- CEL visited the Monetary Authority of Macao to discuss further plans of cooperation.

- CEL and Sun Life Everbright Life Insurance joined hands for a brighter future of ties, to achieve E-SBU collaborative development strategy, and to promote the important measures of cooperation between the two companies in multiple areas including investment and insurance.

- CEL signed a strategic cooperation framework agreement with Guizhou Financial Holding Group. Both sides will make efforts to promote the establishment of the "Guizhou CEL Fund-of-Funds ("FoFs")".

- CEL signed Strategic Collaboration Agreement with Cloud Payment.

- Terminus became the Official Premier Partner of EXPO 2020 Dubai, and the only enterprise from China out of the 12 partners from around the globe.

- CEL signed strategic cooperation agreement with Shenyang Municipal People's Government to focus on industrial transformation and help Liaoning and Shenyang economic development.

- CEL successfully issued USD300 million of offshore senior perpetual capital securities with a coupon rate of 3.8%, which set the lowest coupon rate for offshore perpetual capital securities issuance by Chinese financial holding companies since 2017.

- CEL signed strategic cooperation agreement with Deyang Municipal Government of Sichuan Province and Chongqing Fuling District Government, to support the construction of Cheng-Yu area economic circle.

- CEL, West China (Chongqing) Science City and Terminus jointly held the "Chongqing Urban Intelligent Technology Seminar", and 41 institutions have settled in the Everbright Artificial Intelligence Industrial Base.

Fund Establishment and Fundraising

- CEL signed a comprehensive collaboration agreement with the Management Committee of Wuhan Donghu New Technology Development Zone and established a RMB300 million "Donghu CEL FinTech Innovation Fund".

2020 REVIEW continued

- CEL collaborated with multiple financial platforms in Guangzhou Province to establish the Guangzhou CEL Guangzhou-Hong Kong-Macao Youth Venture Fund with the first phase scale of RMB1 billion.

- Everbright Belt & Road Green Equity Investment Fund was officially established with a target size of RMB5 billion, and successfully achieved the preliminary round of approximately RMB3 billion fundraising.

- CEL collaborated with multiple financial platforms in Suzhou to establish the Changjiang Triangle Integration Area CEL Wujiang Innovation Fund, with a total expected scale of RMB10 billion.

- CEL and Terminus launched a target RMB10 billion AI New Economy Fund.

- CEL collaborated with Ganzhou of Jiangxi Province, to establish the Ganzhou CEL Suqu High Quality Development Industry Investment Fund with a total size of RMB2.5 billion, and the initial round of capital commitment has been fully contributed.

Investment Projects

YEELIGHT 易来

CEL Qingdao Intelligent Manufacturing Fund invested in "Yeelight", a company in the Xiaomi ecological chain

- Leading global intelligent lighting brand mainly involved in the design of intelligent lighting product, research and development, system integration and sales, with a complete line of intelligent lighting products.

瑞科生物 RECBIO

CEL's FoFs invested in "RECBIO" and assisted to launch the Covid-19 Vaccine Industrialization Base project

- RECBIO Covid-19 Vaccine Industrialization Base main construction including the Covid-19 vaccine production workshop, sub-packaging workshop, new adjuvant workshop, quality inspection center and other supporting facilities.

恆大物業 EVERGRANDE PROPERTY SERVICES

EVERGRANDE PROPERTY SERVICES

- China's leading comprehensive property management service operator.

Project Exit in 2020

Lifetech SCIENTIFIC

LifeTech Scientific Corporation

- Stock code: 1302.HK
- Full Exit

宇信科技 Yusys Technologies

Yusys Technologies Co., Ltd.

- Stock code: 300674.SZ
- Partial Exit

NIO

- Stock code: NYSE: NIO
- Full Exit

Tirana International Airport SHPK of Albania

- Full Exit

Project Listed in 2020

Three's Company Media

- Listed on Shanghai Stock Exchange in May 2020 (605168.SH)

QI-ANXIN

- Listed on the STAR Market in July 2020 (688561.SH)

Xpeng Motors

- Listed on New York Stock Exchange in August 2020 (XPEV.NYSE)

EVERGRANDE PROPERTY SERVICES

- Listed on Hong Kong Stock Exchange in December 2020 (6666.HK)

AWARDS AND HONORS IN 2020

In 2020, CEL gained a lot of recognition, and the Company and its professional funds, human resources and CSR operation garnered a number of industry authoritative awards and honours, confirming its position as a leading cross-border asset management and investment firm in the industry. The four major industrial platform companies (CALC, Everbright Jiabao/EBA Investments, Everbright Senior Healthcare and Terminus) have maintained their leading position in the industry.

Company's Awards

- CEL ranked 84th in the **"TOP 100 Global PE Institutions (PEI 300 List)"**, rising 11 places compared with the 95th place in 2019.
- CEL was awarded **"The Most Highly Regarded Insurance Asset Management Overseas Business Partners"** by IAMAC.

- CEL won the **"Outstanding Company Award"** at the 6th Hong Kong Investor Relations Award Ceremony.

2020 REVIEW continued

- CEL attained **"Top 23 PE Firms in China in 2020"**, **"Top 50 State Owned PE Firms in China in 2020"** by Zero2IPO Group.
- CEL attained **"Top 10 M&A Investment Firms"** at China Bridge Annual Award Ceremony.

- CEL was awarded **"China's Best PE Firms Top 20"**, **"China's Best State Owned PE Firms Top 10"**, **"China's Most Popular PE Firms TOP 20 by LPs"**, **"Best PE Firms in Guangdong-Hong-Kong-Macao Greater Bay Area Top 30"** by ChinaVenture Association in 2019 and 2020 respectively.

- CEL was awarded **"Three-year Golden Bull PE Firms Continuous Winning Organization"** by China Securities Journal.

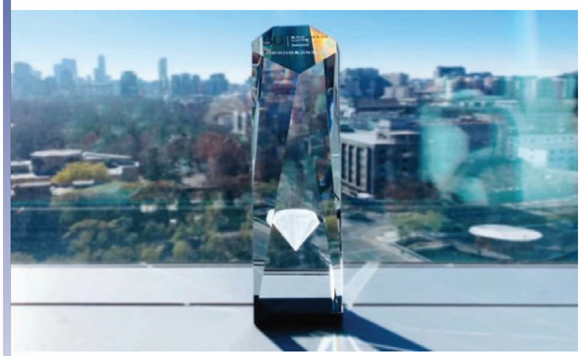
Key Platform Companies and Investment Team's Awards

- **CEL's FoFs:** listed in the first batch of **"Red List of Trustworthy Market-oriented FoFs"** of China's equity investment fund managers, attained **"2019 China's Best LPs Top 20"**, **"2020 China's Best FoFs TOP 20"** and **"2020 China's Best LPs TOP 20 in PE Investment Field"** by ChinaVenture Association, and awarded **"2020 China's most popular FoFs TOP 20 by GPs"** by 36Kr, CEL's Hunan FoFs was awarded **"2020 China's most popular FoFs TOP 20 by GPs"** by ChinaVenture Association.

- **CEL's New Economy Fund:** ranked **"Top 20 PE Firms in China's Cultural and Entertainment Media Sector 2019-2020"**, **"2020 China's Most Popular PE Firms TOP 50"**, **"2020 China's Most Recognised PE Firms TOP 30"** by 36Kr, and awarded **"TOP 15 PE Firms in China's Consumer Services 2019-2020"** by 21st Century Economic Report, and awarded **"Golden Bull Big Data and AI Investment Agency"** by China Securities Journal.

2020 REVIEW continued

- CALC ranked 9th in ICF International aircraft lessor in 2020. They were also awarded the "Best Deal of the Year" in the 8th China Air Finance "Wan Hoo" Awards Ceremony. CALC's China Aircraft Disassembly Centre was honourably awarded the title of "Provincial Demonstration Park" by Heilongjiang Property Management.



- Terminus: selected to the highest honour "2020 SAIL AWARD TOP 30" of the World Artificial Intelligence Conference and ranked No.1 in "2020 Deloitte Technology Fast Growth 50 China" by Deloitte.

- Secondary market fund management platform China Everbright Assets Management Limited awarded the "Three-year Overseas Golden Bull Private Fund Company (Fixed Income)" by China Securities Journal. They were also awarded the "Asian G3 Top Currency Bond Investment Institution" by The Asset.

- Everbright Senior Healthcare was awarded "Top 5 Elderly Care Service Brands in China" by The Fifth Elderly Care Industry Lujiazui Summit.

- **EBA Investments:** CEL's EBA Investments ranked No.1 in **"Top 10 Funds in terms of Comprehensive Strength among the 2020 China Real Estate Funds"** for six consecutive years, awarded the **"2020 The 9th BRIC Value Award Ceremony, China's most powerful real estate fund Top 10"** for five consecutive years, awarded **"The Brand of 2020 China Influential Real Estate Fund Top 30"** and **"2020 China Influential PE Investment Institutions Top 10"** by Boao Forum for Real Estate.

Corporate Social Responsibility and Human Resources Awards

- CEL and China Everbright Charitable Foundation was awarded the **"Caring Company"** and **"Caring Organisation"** for ten consecutive years by The Hong Kong Council of Social Service.

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

2020 REVIEW continued

- Awarded the **"Sport-Friendly Action"** Logo by the Chinese YMCA of Hong Kong.

- Awarded the **"Good Employer Charter 2020"** and **"Family-friendly Good Employer 2020"** Logo by Labour Department HKSAR.

- Awarded **"Mental Health Friendly Organisation"** Logo by Advisory Committee on Mental Health.

- Awarded the **"Golden Bull Social Responsibility Award"** by the 4th Equity Investment Golden Bull Awards from China Securities Journal.

Management Awards

- **Dr. Zhao Wei, Chairman and Executive Director of CEL,** was awarded the **"China's Best Private Equity Investors Top 50 in 2019"** by ChinaVenture and **"2020 China Influencial PE Investor Top 50"** by CVCRI.

- **Mr. Tang Chi Chun Richard, Executive Director and CFO of CEL,** was awarded the **"Distinguished CFO of the Year"** by Gelonghui.

CHAIRMAN'S *STATEMENT*

In order to cope with the complicated internal and external environment, we strived to adapt to the new environment and maintain the power to transform, as well as embraced the challenges with proactive actions. As a result, we achieved hard-won operating results in the past year.

ADAPTING TO THE NEW ENVIRONMENT AND MAINTAINING THE POWER TO TRANSFORM, AS WELL AS EMBRACING CHALLENGES WITH PROACTIVE ACTIONS

The year of 2020 was an extraordinary year. The sudden outbreak of the novel coronavirus pneumonia (COVID-19) triggered a deep recession in the global economy and a slowdown in the growth of the private equity industry, posing greater challenges to the cross-border asset management and investment industry. In order to cope with the complicated internal and external environment, we strived to adapt to the new environment and maintain the power to transform, as well as embraced the challenges with proactive actions. We executed our tactics with confidence, by "increasing fundraising, being selective on investments, being rigorous on risk management, and being steady on project exits". Meanwhile, we strengthened the construction of the headquarter-driven capability and improved our attributes of being professional, market-oriented and international. We strived to capture new opportunities and open up new chapters by taking proactive measures, to elevate our reform and innovation efforts, and to strengthen strategic coordination development in a comprehensive manner. In the context of the development of domestic and international dual circulation, we also stayed committed to our mission and actively took various measures to leverage our advantages in cross-border asset management and years of asset management experience/professional management capabilities, so that we can continuously promote our strategic transformation growth. As a result, we achieved hard-won operating results in the past year.

Taking Proactive Actions – Key Indicators Kept Heading North with Steadily Improved Overall Strength

As fine jade comes out from grinding, courage and resilience are reinforced by challenges. We coped with unprecedented external challenges and overcame various difficulties in strategic transformation and development. We had cultivated new opportunities in the crisis and opened up new chapters in a fast-changing environment. We accomplished great achievements in both COVID-control and business growth, as well as properly resolved potential risks in an ever-challenging environment. During the reporting period, new funds of HK$27.15 billion were raised, and the AUM reached HK$182.8 billion, representing an increase of 16% as compared to the end of last year, and hitting a record high. In 2020, we ranked 84th among the Top 100 world's largest private equity firms by PEI 300, rising by 11 places as compared to 2019, maintaining a leading position in Chinese PE industry. Our non-RMB-denominated AUM reached approximately HK$48.9 billion, accounting for approximately 27% of the total AUM, demonstrating a stronger cross-border capability.

Focusing on the Core Business – Addressed Challenges in a Proactive and Resilient Manner, and Strived to Achieve a Higher Quality Growth.

Although the COVID had a relatively significant impact on the offline-focused traditional business sectors, the valuations for industries such as healthcare, higher education, IT services, new energy vehicles and AIoT were experiencing tremendous growth, and CEL had invested in such industries in early years and benefited from the growth during the pandemic. During the reporting period, CEL achieved a profit attributable to shareholders of the Company of HK$2,264 million, representing a year-on-year increase of 1.2%. In the meantime, CEL executed 70 exit projects (fully or partially), generating cash inflows of approximately HK$12.4 billion, leading to a substantial increase for realised gain, hitting a record high in recent years. Coupling with China's GDP growth, the industrial structural transformation, the goal to accomplish "CO_2 Emissions Peak" and "Carbon Neutrality", the diversifying consumer demands, and the rapid advancement in technology, profound positive changes were accelerated in the economy and industry during the pandemic. During the reporting period, CEL optimised its industrial investment deployment in response to the changing environment, and a new investment of nearly HK$10 billion was deployed in high-growth industries such as new consumerism, technological innovation, new-infrastructure, healthcare, and green energy. CEL strived to invest in and incubate low-carbon green technology, actively fulfill social responsibilities and serve the high quality development of the economy on the ground of Everbright Belt and Road Green Fund.

Strategic Plan – Further Cultivated Key Industrial Platforms, in order to Promote Constructive Synergy between Industry and Capital Capabilities

During the reporting period, by focusing on strategic execution of "asset management + investment + industry" plan, CEL continued to reinforce the leading position and core competitiveness of its major platforms in the respective industries. CALC had maintained its position as one of the world's leading aircraft lessors; with its excellent aircraft asset management and operation capabilities, CALC overcame the severe test by the pandemic and seized the opportunity to increase its overseas presence. Everbright Senior Healthcare continued to expand its business footprints and to improve its standardised services; the number of bed-under-management had increased to 28,000, ranking among the top players in the senior healthcare industry in China. EBA Investments was ranked among the "Top 10 Funds in terms of Comprehensive Strength among China Real Estate Funds" for six consecutive years, with continued expansion of projects under its IMIX Park brand. The AIoT unicorn company, Terminus, had become an official Premier Partner for the Expo 2020 Dubai, and had stepped onto the world stage as an outstanding player, representing China's AIoT industry; Terminus AI-City strategic projects had been growing well, and Terminus' valuation was appreciating notably.

Rigorous Risk Management – Continuously Improved the Risk Control System to Secure Margin of Safety

During the reporting period, as affected by the interruption of business activities due to the pandemic, CEL's portfolio companies were once under pressure for liquidity. By relying on its parent company Everbright Group (a holder of full financial licenses), and leveraging its advantages in domestic and overseas financing platforms, CEL provided diversified support for its portfolio companies through synergy/coordinated development, optimised resource allocation and improved financing condition, in an effort to protect the key portfolio companies from major liquidity risks. In addition, CEL adopted various measures including optimising the management structure, strengthening asset and liability allocation management and refining its core internal control procedures to ensure that the risk management was properly in place in the management and system of the organisation.

Steady Dividend Pay-out – Stable and Healthy Growth Contributed to a Desirable Return for Shareholders

Taking into account the financial position and future development needs of CEL, the Board recommended the payment of a final dividend of HK$0.35 per share for the year of 2020 to the shareholders of the Company. The total dividends for the year amounted to HK$0.49 per share, and the dividend pay-out ratio for the year was 36.5%, representing an increase of 0.3 percentage point. Looking into the future, we will continue to improve the quality of the assets and operations of CEL, strive to achieve a solid growth in the Company's overall market capitalisation and aim to deliver an even higher return for our investors.

Future Outlook – Fully Unleash Our Potential in every Business Line by Capitalising on the Opportunities Emerging from the "Post-pandemic" Era

Envisioning the year of 2021, through a stable vaccination deployment, we believe that the economic recovery will witness both opportunities and challenges across the globe. The world-wide pandemic had posed disruption on people's life, industrial supply chains, trade and other fields, prompting all parties to develop a better understanding of the future trends, as well as making all parties better foresee the benefits of different promising industries. The new generation digital tech, represented by big data, cloud-based computing and artificial intelligence etc., will continue to empower the real economy and traditional industries. The digital transformation and ESG development in trade, medical care, consumption, finance and education arenas, will bring huge demand and, thus, will become a new engine for the booming economic growth.

As economic activities are recovering, we expect that CEL's operating performance and many investment projects' valuations will be effectively restored. In 2021, we will stay committed to our mission of "maintaining stability, focusing on management enhancement, reinforcing innovation and reform-driven initiatives, and better serving the overall development". **In terms of the strategic plan**, we will keep pursuing our vision of "becoming a leading global player in cross-border asset management", further focusing on "value creation", and deploying more resources for business transformation, high-quality development, strategic regions related initiatives, key industrial platforms and the new tech/healthcare/green economy/tourism fields. **In terms of the business tactics**, we will continue to optimise our asset allocation portfolio, capitalise on the profound changes in the "universal circulation and dual circulation" development pattern, constantly adopt ESG investment practices, deploy more resources to new infrastructure, green economy, decarbonisation, healthcare, aircraft full life-cycle, core technology, high-end intelligent manufacturing, 5G and AIoT, artificial intelligence and technological and financial platforms. **In terms of the operation management**, we will continue to optimise the construction of the corporate governance and authorisation system, aggressively improve our headquarter's efficiency, strengthen talent team building and improve risk management so as to ensure the stability of the growth fundamental for CEL.

CEL is aspired to commit to excellence and to achieve positive transformation, although the challenges facing us are also significant. In the past, through our diligent efforts, we have achieved remarkable results in different business growth and operation areas. However, we could not achieve such great results without the unwavering support from our shareholders, investors, portfolio companies, business partners and the highly diligent CEL employees. Looking ahead, all employees of CEL will bear the "pioneering" spirit to exercise best effort to enhance the overall strength of our Fund Management Business, Principal Investments Business, as well as Key Industrial Platforms. On behalf of myself and the board of directors, I would like to take this opportunity to express my sincere gratitude to all institutions and stakeholders for their patronage and support to CEL, and I truly expect that in this brand-new year, CEL will continue to deliver returns to shareholders and investors, create more value for the society and accomplish more brilliant achievements.

ZHAO WEI

CHAIRMAN

18 March 2021

MANAGEMENT *DISCUSSION & ANALYSIS*

IN 2020, CEL COPED WITH UNPRECEDENTED EXTERNAL CHALLENGES, AND STRIVED TO IMPROVE ITS COMPREHENSIVE CAPABILITIES IN “FUNDRAISING, INVESTMENT, MANAGEMENT AND EXIT”, CONTINUED TO STRENGTHEN THE INDUSTRY-CAPITAL SYNERGY WITH ITS INDUSTRIAL PLATFORMS, REINFORCED THE COORDINATED DEVELOPMENT WITH EVERBRIGHT GROUP’S VARIOUS BUSINESS UNITS, AND WAS ON TRACK TO ACHIEVE HIGH-QUALITY DEVELOPMENT. AS A RESULT, GOOD PROGRESS HAD BEEN MADE IN TERMS OF COMPREHENSIVE STRENGTH, STRATEGY EXECUTION AND BUSINESS PERFORMANCE.

REVIEW AND ANALYSIS

Macro-economic and Industry Review

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

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

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

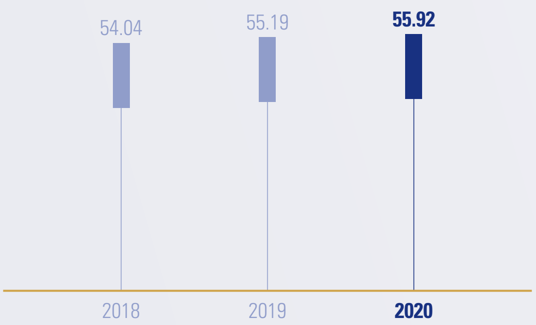
In 2020, CEL's comprehensive strength had been continuously improving. CEL's PEI 300 ranking for 2020 was 84th, versus 95th in 2019. From the fundraising perspective, CEL's assets under management ("AUM") grew approximately 16% (newly raised funds of HK$27.15 billion) to HK$182.8 billion, hitting a record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

Financial Performance in 2020

Income

During the reporting period, CEL withstood the severe impact of the pandemic and achieved a total amount of income[1] of HK$5,592 million. The slight increase in income over the same period last year demonstrated the continued improvement of the Company's operating conditions and CEL's ability to adapt to the changing dynamics with agile tactics.

CEL'S TOTAL AMOUNT OF INCOME IN THE RECENT THREE YEARS
(in HK$ hundred million)



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

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

Note:

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

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

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

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

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

For the purpose of resource allocation and business performance evaluation, the management of the Group adopts "Earned Management Fee Income"[2] as an additional financial measurement index. Earned Management Fee Income refers to the management fee income received by the Group as a fund manager in accordance with relevant fund management agreements. During the reporting period, the Earned Management Fee Income of the Group amounted to HK$1,018 million, representing a year-on-year increase of 14%. The solid growth of AUM also laid a foundation for the future growth of management fee income. The adjustments between the Earned Management Fee Income recognised by the Group for the current reporting period and the management fee income presented in accordance with the Hong Kong Financial Reporting Standards include (a) elimination of management fee income from consolidated funds: the Group acts as both the fund manager and the major limited partner in certain funds, where the management fee paid by the fund and the management fee income received by the fund manager shall be eliminated when consolidating into the Group's consolidated financial statements; (b) management fee income received by 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 shall be presented according to the Group's share of profits from the joint venture; (ii) Everbright Jiabao, an associate of the Group, holds 51% interest of EBA Investments, which is included in Everbright Jiabao's scope of consolidation. The Group holds the remaining 49% interest of EBA Investments through another subsidiary and such interest is accounted for as financial assets. The management fee income of EBA Investments is reflected in share of profits of associates of the Group; (c) other accounting adjustments.

(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	2.28	1.07	2.98	0.68	7.01
Secondary market	0.46	0.23	–	0.15	0.84
Funds-of-Funds	0.22	2.08	–	0.03	2.33
Management fee income	2.96	3.38	2.98	0.86	10.18

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

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

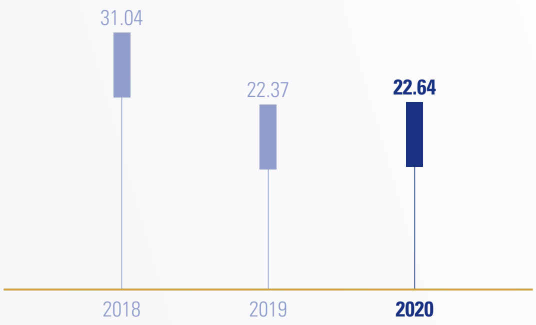
Note:

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

Profit

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

CEL'S PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY IN THE RECENT THREE YEARS
(in HK$ hundred million)



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

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

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

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

Key Financial Ratios

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

Key Financial Data[3]	2020 year-end	2019 year-end	Change
Operating cost-to-income ratio[4]	20.2%	24.5%	-4.3 ppt
Gearing ratio[5]	63.9%	70.7%	-6.8 ppt
Debt-to-asset ratio[6]	49.0%	49.4%	-0.4 ppt
Current ratio[7]	110%	111%	-1.0 ppt

Note:

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

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

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

6 Debt-to-asset ratio=(Total liabilities/Total assets)×100%

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

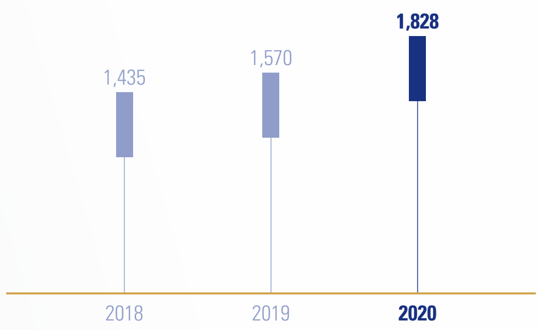
Business Performance Analysis in 2020

Fund Management Business

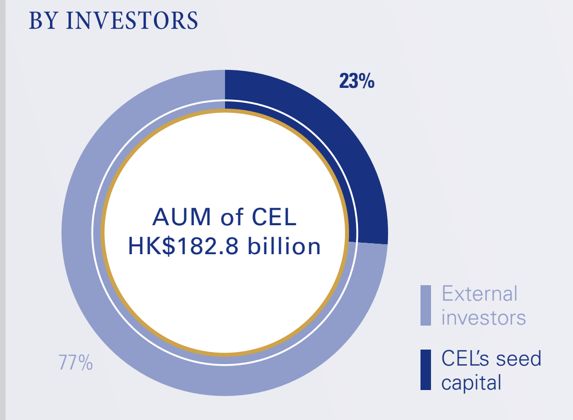
With the diversified fund structures, capabilities on the full value chain and cross-border asset deployment, CEL continued to maintain its position as a leading fund management institution in China. In 2020, by leveraging its extensive experience and its strong customer base in the fund management industry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

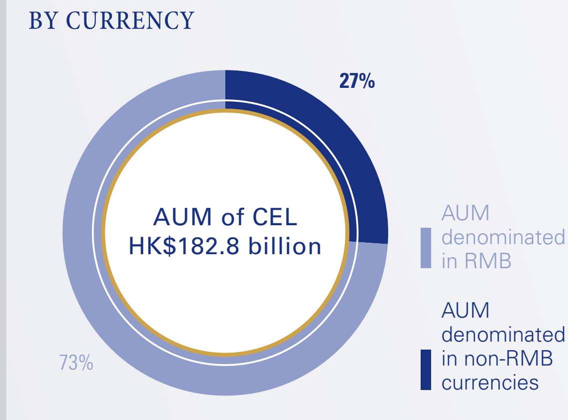
The AUM of CEL's funds reached approximately HK$182.8 billion as at the end of 2020, representing a growth of 16% as compared to the end of 2019. In terms of source of funding, CEL's seed capital accounted for 23%, signalling a downward trend year by year with improving utilization efficiency of seed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

AUM OF CEL IN THE RECENT THREE YEARS
(in HK$ hundred million)



DISTRIBUTION OF AUM OF CEL





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

Sector	Name of funds	AUM (HK$ hundred million)	IRR since establishment of fund and up to the end of 2020
New economy/innovative technology	Everbright-IDG Industrial Fund	120.17	17.8%
New economy	CEL Hunan Fund-of-Funds	61	22.6%
Semiconductor technology	Walden CEL Global Fund I	14.6	20.1%
People's livelihood	Domestic Mezzanine Fund II	14.55	45.9%
Healthcare	Medical and Healthcare Fund III	15.06	46.1%

Primary Market Funds

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

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

Representative Primary Market Funds Established in 2020

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

Real Estate Investment and Asset Management Platform

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

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

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

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

Secondary Market Funds

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

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

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

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

Funds-of-Funds ("FoFs")

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

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

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

Principal Investments Business

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

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

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

Strategic Industry Platforms

Aircraft Leasing

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

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

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

Everbright Senior Healthcare

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

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

Artificial Internet of Things ("AIoT")

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

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

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

Financial Investments

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

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

Cornerstone Investments

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

Everbright Securities (601788.SH)

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

China Everbright Bank (601818.SH)

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

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

OUTLOOK

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

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

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

Further nurturing the existing industrial platforms with a competitive edge, and improving the synergy among all of the business units within the Everbright Group. Incubating promising industrial platforms, and stimulating the synergy between capital and industry capabilities: CEL and its key industrial platforms will form an ecosystem through strategic alignment and resource sharing, in which all units within the ecosystem will support and empower each other and collaborate harmoniously. On the one hand, CEL's investment and asset management capabilities will provide key industrial platforms with capital resources and diversified support; on the other hand, the key industrial platforms will leverage its industry influence and strengths to support the Group to create differentiated fund products, and to drive the AUM growth, as well as improve the investment capabilities. In addition to the existing industrial platforms, the Group will seek new investment opportunities in emerging industries, and strive to cultivate a series of new platforms/projects with robust growth prospects, charting a unique path to industry-capital synergy model with CEL characteristics. **Deepening the synergy and collaboration within the Everbright Group's ecosystem**, as well as focusing on the opportunities in the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Greater Bay Area and the countries in "One Belt and One Road" areas, CEL will promote strong collaboration with relevant government clients and strategic enterprise partners, and facilitate various innovative projects, so as to leverage each other's strengths and accomplish mutual benefits.

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

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

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

FINANCIAL POSITION

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

FINANCIAL RESOURCES

The Group adopts a prudent approach to cash and financial management to ensure proper risk control and low cost funds. It finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 31 December 2020, the Group had cash and bank balances of HK$9.3 billion, increased by HK$2 billion compared with the end of 2019. Currently, most of the Group's cash, representing 84%, is denominated in Hong Kong dollars and Renminbi.

BORROWING

The Group will review and ensure sufficient banking facilities to reserve resources to support its business development. As at 31 December 2020, the Group had banking facilities of HK$27.3 billion, of which HK$8.4 billion had not been utilised. The banking facilities were of one to twelve years terms. The Group had outstanding bank loan of HK$18.9 billion, of which HK$15.3 billion was unsecured, decreased by HK$0.1 billion compared with the end of 2019. The Group had issued corporate bonds with outstanding principal amount of HK$12.7 billion. The interest bearing borrowings were mainly denominated in Renminbi, representing about 49% of the total, and the remaining were mainly denominated in Hong Kong dollars, United States dollars and Singapore dollars. As at 31 December 2020, approximately 55% of the Group's total principal amount of borrowing were at floating rates and the remaining 45% were at fixed rates. The maturity profile of the Group's borrowings is set out in note 19 of the Notes to the Financial Statements in this report.

PLEDGE OF ASSETS

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

EMPLOYEES

As at 31 December 2020, the Group's headquarters and fully owned subsidiaries had 307 full-time employees. The Group ensures that the remuneration packages for employees are fair and competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Discretionary year end bonus may also be paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme and training programmes.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management is of fundamental importance to the business operation of the Group. The major types of risk inherent in the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. Brief descriptions of the Group's approach in managing these risks are set out in the Risk Management Report on pages 122 to 129 and Note 39 of the Notes to the Financial Statements in this Annual Report.

IMPORTANT EVENT AFTER THE REPORTING PERIOD

Details of the Group's important event after the reporting period are set out in note 46 to the financial statements contained in this report.

By order of the Board
China Everbright Limited
Zhao Wei
Chairman

Hong Kong, 18 March 2021

ENVIRONMENTAL, SOCIAL AND *GOVERNANCE REPORT*

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

ABOUT THIS REPORT

This is the fifth Environmental, Social and Governance (ESG) Report ("Report") of China Everbright Limited ("CEL" or the "Company" together with its subsidiaries, hereinafter referred to as the "Group") (Stock code: 165.HK). The Report illustrates the ESG performance of the Group.

This Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Main Board Listing Rules of The Stock Exchange of Hong Kong and the Global Reporting Initiative ("GRI") Standards: Core option. This Report covers the operations of our Hong Kong headquarters, regional offices in Mainland China and our four platform companies for the period from 1 January 2020 to 31 December 2020 ("reporting period"). We also strive to disclose the ESG performance of our key members.

The Group continues to incorporate the United Nations Sustainable Development Goals ("SDGs") in our environmental and social management. The following 8 SDGs out of 17 are most relevant to our stakeholders:

- 4 QUALITY EDUCATION — Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- 5 GENDER EQUALITY — Achieve gender equality and empower all women and girls
- 8 DECENT WORK AND ECONOMIC GROWTH — Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- 10 REDUCED INEQUALITIES — Reduce inequality within and among countries
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Ensure sustainable consumption and production patterns
- 13 CLIMATE ACTION — Take urgent action to combat climate change and its impacts
- 16 PEACE AND JUSTICE STRONG INSTITUTIONS — Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
- 17 PARTNERSHIPS FOR THE GOALS — Strengthen the means of implementation and revitalize the global partnership for sustainable development

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

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

BOARD STATEMENT

The Board has reviewed the material environmental, social and governance issues, and will manage and monitor these issues and take them into consideration in determining the Company's business directions and strategies.

MATERIALITY ASSESSMENT AND STAKEHOLDER ENGAGEMENT

To better align this report with the expectations of our stakeholders and the Group's economic, environmental and social impacts, we have invited an independent consultant in this year to conduct a stakeholder engagement exercise. Materiality assessment, including identification, prioritisation, and review of the materiality topics has been conducted to identify issues that are material to the sustainable development of CEL. The prioritisation of the material topics has followed the principles defined in the GRI Standards.

IDENTIFICATION OF MATERIAL TOPICS

Questionnaires were formulated by our independent consultant to obtain the views from stakeholders on our environmental, economic and social performance.

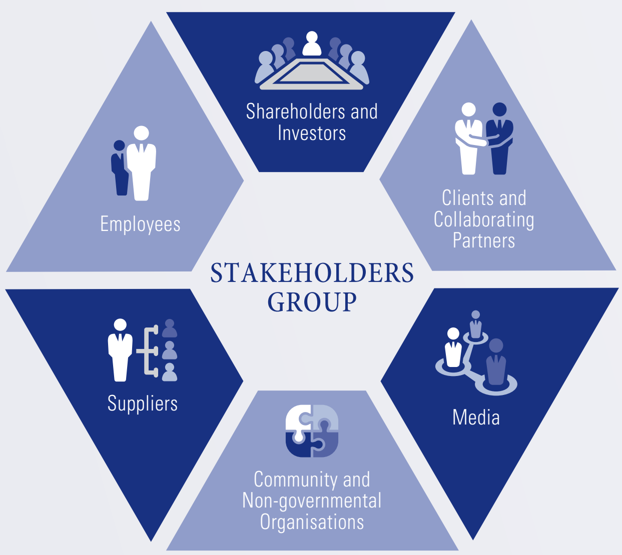
PRIORITISATION OF MATERIAL TOPICS

The independent consultant prioritised the identified material topics in accordance with the importance to stakeholders and the significance to the Group, and presented through a materiality matrix.

VERIFICATION OF MATERIAL TOPICS

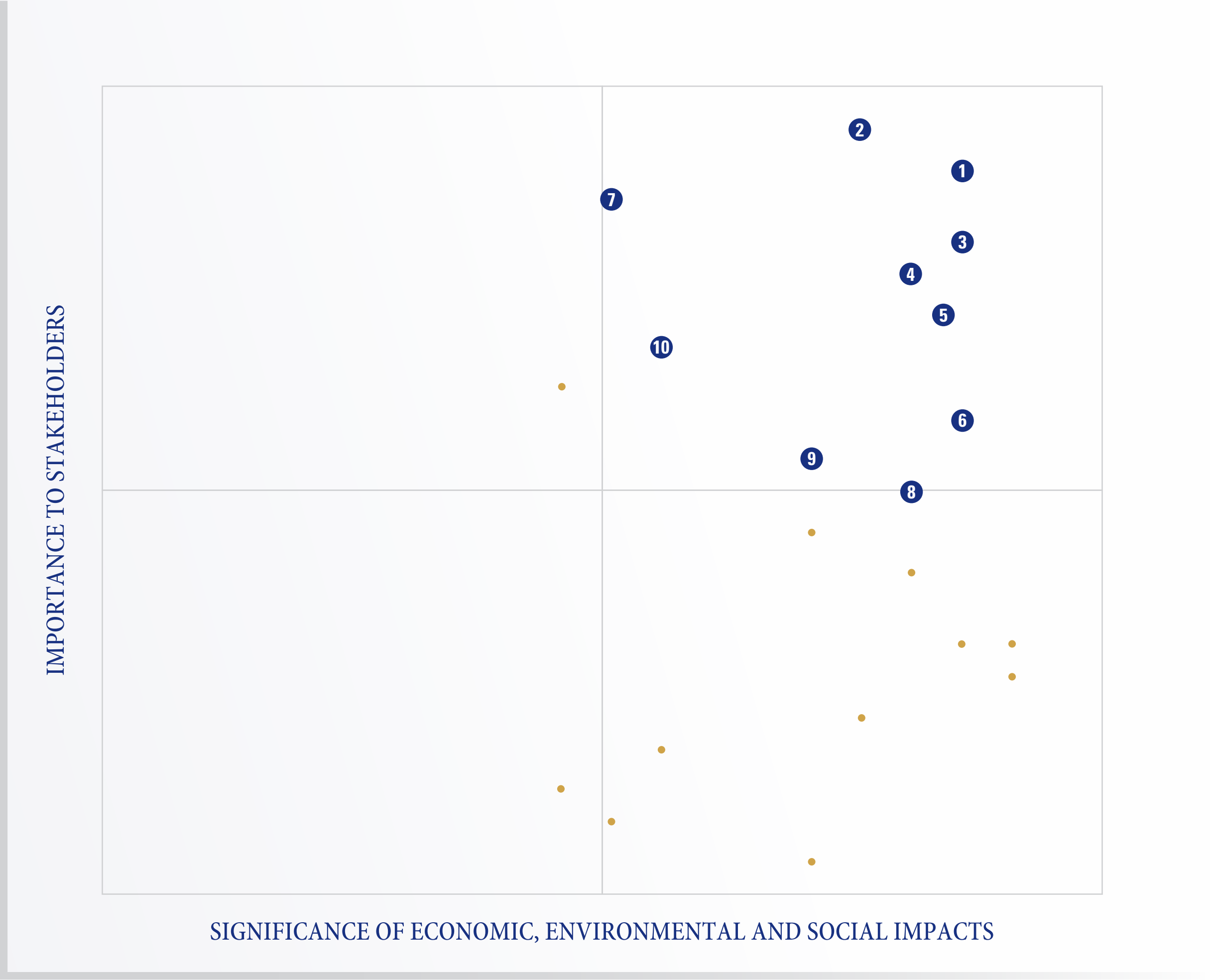
CEL verified the materiality topics to ensure the topics aligned with our development strategy.

The below major stakeholders group are included in our Materiality assessment. They are internal and external entities or individuals who maintain a close relationship with the Group in our daily operations, and have a significant impact on our business or are substantially affected by our operations.



MATERIALITY MATRIX

The Materiality Matrix below shows the relative importance of each sustainability topic with regard to our stakeholders as well as their impacts on the economy, environment and society. The top 10 sustainability topics are considered as Material Topics and will be addressed in detail throughout this Report.



MATERIAL TOPICS

Sustainability Category	Material Topics and Stakeholders' Concerns	Boundaries		Relevant GRI Standards	Highly Related SDGs
		Within the Group	Outside the Group		
Economic	1 Responsible Investment	✓	✓	Not Applicable	17 PARTNERSHIPS FOR THE GOALS
	2 Economic Performance	✓	✓	GRI 201	8 DECENT WORK AND ECONOMIC GROWTH
	5 Anti-corruption	✓	✓	GRI 205	16 PEACE AND JUSTICE STRONG INSTITUTIONS
	7 Indirect Economic Impact	✓	✓	GRI 203	8 DECENT WORK AND ECONOMIC GROWTH
Environment	4 Environmental Compliance	✓	✓	GRI 307	16 PEACE AND JUSTICE STRONG INSTITUTIONS
	6 Greenhouse Gas Emission and Pollutants	✓	✓	GRI 305	13 CLIMATE ACTION
	9 Energy Efficiency	✓	✓	GRI 302	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	10 Material and Resource Usage	✓	✓	GRI 301	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Social	3 Training and Education	✓	✓	GRI 404	4 QUALITY EDUCATION
	8 Diversity and Equal Opportunity	✓	✓	GRI 405	5 GENDER EQUALITY; 10 REDUCED INEQUALITIES

OUR SUSTAINABLE BUSINESS

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

Through the private equity funds, venture capital funds, industry funds, mezzanine funds, fund of funds, fixed income and equity funds it manages, CEL cultivates a number of high-growth-potential enterprises together with its investors. While closely following the development requirements of Chinese companies, it also introduces the best overseas technologies into the Chinese market, providing multifaceted services to Chinese and overseas clients. Moreover, CEL also established "EBA Investments"/"Everbright Jiabao", a leader of real estate private equity funds in China; cultivated "CALC", the largest independent aircraft leasing operator in China; incubated "Terminus", an AIoT unicorn company; and established "Everbright Senior Healthcare", a premium elderly care brand, and integrated both mid- to high-end elderly care in China.

Despite the volatility of international and domestic financial markets in recent years, CEL has capitalised on a solid foundation and visionary strategies to maintain stable operations and achieve strong growth in AUM, expanding its reach overseas beyond Hong Kong and Mainland China. During this time, the Group has maximised benefits and built long-term relationships based on mutual trust with various stakeholders, including shareholders, investors, clients, business partners and employees.

Four Strategic Industry Platforms

FOUR KEY INDUSTRY PLATFORMS

REAL ESTATE ASSET MANAGEMENT

- Primarily focusing on fund management and developing differentiated competitions, through continuously expanding investment and operational scales to increase AUM and striving to stand out in the crowd
- Synergises and combines industry and finance through integration of industry as the backbone, finance as the tool and real estate as the vehicle

AIRCRAFT FULL LIFE-CYCLE SERVICES

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

AIoT

- "Terminus" integrates the scale, trend of business development, and the advantages of each business scope via the 3+X solution. 3 includes governance and security sector, pan-industrial zone industries and energy sector, while X represents new emerging sector.
- The market position and direction vary based on the different characteristics of the business sectors in the 3+X solution and the current market status of "Terminus"

SENIOR HEALTHCARE

- To establish a more comprehensive network in the region
- To increase elderly care capacity
- To strengthen management operation and improve quality of earnings
- To establish product positioning and enhance efficiency
- To progress towards smart elderly care with technology support

CEL'S APPROACH TO ESG MANAGEMENT

We believe that a comprehensive corporate governance and risk management mechanism is the foundation of the Group's sustainable development. The Group's core value focuses on achieving the highest-level performance in the aspect of corporate governance, which aims at protecting the greatest interests of our shareholders, clients, staff, and other stakeholders. Thus, we are committed to maintaining and strengthening its practices in this aspect. Apart from strictly complying to the applicable laws and regulations in Hong Kong, we also fulfil the requirements and guidelines set by 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 Group reviews its corporate governance practices from time to time in order to meet the international and local best practices, including the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). During the time period being reviewed, the Group has complied with all of the Listing Rules.

We recognise the importance of obtaining an outstanding performance in corporate governance and establishing an effective corporate governance structure as they are essential for the Group in achieving success in the long run. We are persistent in cultivating and strengthening the principles and implementation of corporate governance. The established and well-structured corporate governance framework plays an important role in directing and governing the business ethical conduct of the Group, hence protecting and upholding the value of shareholders and stakeholders as a whole sustainably.

For more details on our principles of corporate governance, please refer to the chapter of "Corporate Governance Report" in this Annual Report.

Corporate Governance

CEL is led by an effective and high-quality Board. The Board acts honestly and loyally by making objective decisions that are the best to the Group's interest, maximising the long-term value of the shareholders and carrying out the responsibilities to its stakeholders, including customers, employees, and the general public. The composition of the Board contains a balanced number of Executive and Non-executive Directors, including Independent Non-executive Directors ("INEDs"). For more details about the board members, please refer to the chapter of "Corporate Governance Report" in this Annual Report.

We have executed multiple corporate policies and guidelines thoroughly under the corporate governance framework, which establishes the foundation for our corporate social responsibility and sustainable development strategies, and ensures that our business operate in compliance with the regulations and nurtures the culture of accountability. Our sustainability-related guiding documents include the *CEL Corporate Social Responsibility Policy* and the *CEL Green Office and Sustainable Procurement Policy,* etc. These policies and guidelines assist our employees to integrate sustainability into their daily operations.

In order to maintain high ethical standards and integrity, we actively promote and educate our employees to follow the standards strictly. The *CEL Whistleblowing Policy* acts as a guideline for staff and a confidential channel for them to raise their concerns regarding any possibly inappropriate behaviours within the Group.

Anti-Corruption

Staff integrity is one of the reasons to our success. CEL strictly complies with the *Anti-corruption Law* of the People's Republic of China and the *Prevention of Bribery Ordinance* of Hong Kong, which forbids our staff from performing any forms of bribery or corruption activities when carrying out businesses on behalf of the Group. Employees must act honestly and ethically during work and follow the regulations that are applicable to the countries where the Group's businesses are located, including anti-bribery laws. All staff must strictly follow the Group's *Anti-money Laundering and Counter-terrorist Financing Policy* and *Whistle-blowing Policy*, which prescribe the details of the prevention of corruption, blackmailing, fraud, money laundering, relevant laws and their enforcement, due diligence, regular training, etc.

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

Supply Chain Management

CEL is committed to reducing our environmental impact generated from our business operations. Therefore, apart from the Group's environmental protection policies, we have extended our standards to our suppliers. The Group has formulated the *Green Office and Sustainable Procurement Policy* to encourage our staff to make sustainable procurement decisions to further promote green practices in the supply chain. When conducting procuring activities, we prioritise working with socially and environmentally responsible suppliers to reduce the carbon emissions of both parties. For example, our paper suppliers are ISO 14001 certified to prove they have an effective environmental management system.

Risk Management

Risk management is an integral part of the Group's business operation. We established a comprehensive risk management system to maximise shareholder's value and reduce the volatility of profit while ensuring the risk is at an acceptable level. The Group's risk management work is led by the Chief Risk Officer and is executed by the Risk Management Department. This organisational structure evaluates, identifies and records the Group's risk structure, ensuring the business units focus on controlling and avoiding potential risks systematically in their operations. The Chief Risk Officer reports regularly and directly to the Audit and Risk Management Committee while the Committee is responsible for reviewing the risk management system, monitoring the situation and assessing its effectiveness, which ensures it could effectively manage the operational situation.

During the reporting period, we continuously implemented respective risk management system practices and effectively managed the Group's significant risks.

Responsible Investment

Being a leading cross-border investment and assessment management company in China, CEL understands that each of our investment decision could alternate the investment combinations and even impact the whole society. In light of this, we must consider the potential long-term financial and social impact of our investment decisions. We believe that by exercising responsible investment, we could provide investors with a better return and bring a positive impact on society and the world.

On the other hand, climate change is also bringing new risks and opportunities to our investment. The most pronounced risks could be extreme weather events due to climate change. Extreme weather events such as typhoons, rainstorm, and flooding are expected to happen more frequently with increased intensity, bringing detrimental effects to our livelihoods and economy. Even if casualties could be avoided, property damages and economic disruptions are almost unavoidable, as seen from previous events. These short-term shock events will undoubtedly bring negative impacts to our investment, we must therefore be prepared to manage such physical risks to avoid investment loss and to yield better returns.

Another major risk associated with climate change is the push of transiting to a low-carbon economy. In response to the strong desire to shift towards a low-carbon economy, more stringent policies meant to reduce risks of further anthropogenic climate change could be expected. This could mean negative return implications on sectors that are more sensitive to such policy changes, such as traditional fossil fuel driven industry. Investors that remained unprepared and are exposed to higher risk sectors will be most at risk of remaining invested in "stranded assets", thus incurring loss accounts.

However, the transition to a low-carbon economy may also bring new opportunities for investors. Policy changes are likely to drive significant economic transformation and accelerates the replacement of obsolete infrastructure and assets. Investment on industries supporting low-carbon economy such as renewable energy, green transportation and green technology could benefit from policy changes and bring greater returns.

It is clear that climate change and the transition to a low-carbon economy will bring uncertainties and new risks for investors, but this does not mean that financial returns must be jeopardised. Instead, CEL is dedicated to optimising returns for our investors by incorporating the management of climate risk into our long-term investment process, so as to build a resilient portfolio.

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

The Green Fund is led by China Everbright Group, while initiated and managed by CEL. The fund adopts the combination structure of "upper level of fund of funds (FoF) + local direct investment funds" and works with key provinces and cities under the "Belt & Road" initiative in the country, aiming to build a domestic and international dual-cycle development pattern. The fund team collaborates with world-class international intermediaries, designing a ESG investment system. The team references the *UN Principles for Responsible Investment*, International Capital Market Association's *Green Bond Principles* and the *EU Sustainable Finance Taxonomy*. As for other domestic requirements, it also looks into the *Green Industry Guiding Catalogue* issued by the National Development and Reform Commission and China Securities Investment Fund Industry Association's *Green Investment Guidelines (Trial)*.

The Green Fund complies with green and responsible investment concepts, adopting the "Green & Positive List" model to formulate investment directions, focusing on four central pillars: Green Environment, Green Energy, Green Manufacturing, and Green Life. This investment direction is in line with the respective United Nations Sustainable Developmental Goals (SDGs), promotes green development in the country through investment decisions, and help to achieve the targets of peak emissions and carbon neutral.

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

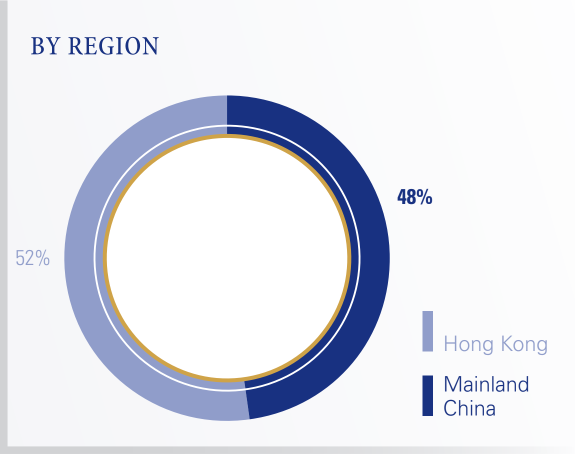
OUR EMPLOYEES

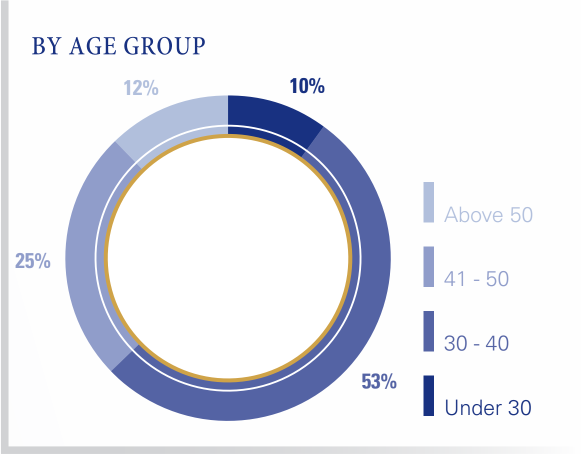
The Group views employees as partners and its most important asset. We recruit top-notch talents from the market and have built a distinguished management team. Employees are able to share the fruits of the Group's success, through creating economic value and enhancing work efficiency. We are committed to providing a healthy and safe working environment for employees and we care about employees' work-life balance. In accordance with relevant laws and regulations, the Group's *Staff Handbook* laid out all key information regarding employee management, remuneration and benefits, attendance policy, working hours, leave, equal opportunity, code of conduct, and so on. In order to attract and retain talents, we ensure that the compensation system of employees is fair and competitive. We also reward employees with bonuses based on their personal performance.

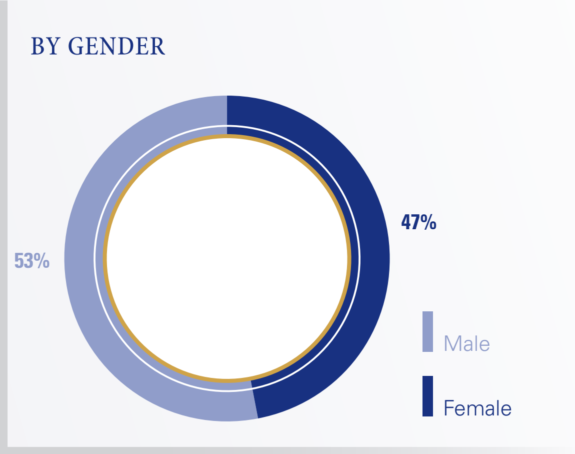
Since 2018, the Group has been awarded the status of "Manpower Developer" by Employee Retraining Board (ERB) for 3 consecutive years, in recognition of the Group's commitment to promoting on-the-job training, self-improvement and advocating the corporate culture of "talent training and development".

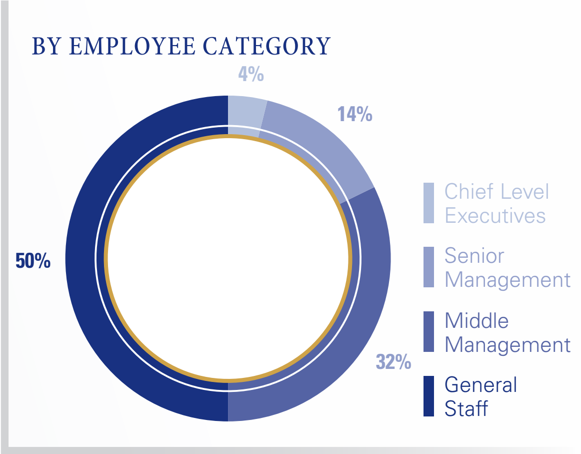
Employee Diversity and Equal Opportunity

The Group adheres to the regulations of our *Staff Handbook* to guarantee employees' basic rights, protecting them from any form of discrimination, harassment, and slander due to gender, race, disability, marital status, and so on. In addition, the Group is dedicated to developing the work environment of equality and fairness, as well as maintaining the corporate culture of diversity through employing staff from different age groups. As of 31 December 2020, CEL had 307 employees in total, all of which were employed on a full-time and permanent basis. The ratio of male to female staff was 1.13:1.









Employee Training and Development

The Group constantly improves our employee training system in accordance with our *Training and Development Policy*. We have set annual training targets of 30 hours and 20 hours respectively for new joiners and existing employees and include the target completion into the assessment system to encourage employees to actively participate in various work-related internal and external trainings. In this way, the employees' professional skill sets are expected to be strengthened and thus enhancing the Group's core competitiveness. During the reporting period, the training rate of our employee reached 100% for the first time, completing 8,560.5 hours of trainings in total, comprised of 37 internal training sessions covering multiple topics such as business ethics, anti-money laundering, taxation, soft skills, cross-department collaboration, and physical and mental health. In response to COVID-19, some internal trainings were held online this year to encourage employees' continuous training with the premise of ensuring their health and safety. We also launched special training sessions related to anti-pandemic strategies, such as seminar on traditional Chinese medicine on pandemic prevention, healthy diet, work-from-home tips, etc., in order to take care of employees' physical and mental health under the pandemic.

Apart from internal training sessions, the Group also encourages the communication and view exchanges between the employees in Hong Kong and the Mainland. Since 2013, the Group has been arranging various cross-border exchange and training activities between Hong Kong and the Mainland, not only deepening employees' understanding of our business on both places, but also enhancing the friendship and cohesion between our teams.

The Group provides online orientation training sessions for our new hires, covering our business profile, brand concept, rules and regulations, code of conduct and other aspects, so as to deepen their understanding of the Group's overall situation. Besides, when joining the Group, new hires will be arranged to participate in the mentorship programme, in which senior employees will provide them with timely guidance and support and help them integrate into the corporate culture and working environment smoothly.

Occupational Health and Safety

The Group adheres to the people-oriented principle and is committed to providing a safe and healthy working environment to protect employees from occupational accidents. We put great importance on employees' safety and have formulated an *Occupational Safety and Health Policy* to make sure employees are aware of safety precautions. We participate in the annual fire drill conducted by the building's management office every year to enhance employees' safety awareness. In addition, the Group conducts regular office safety inspections to ensure the safety of the working environment and that all escape routes are free from obstruction.

Since COVID-19 broke out in China in early 2020, CEL has been closely monitoring the situation. We distributed "health bags" containing surgical masks and disinfectants to employees in a timely manner. Meanwhile, we also issued guidelines for employees, launched the daily reporting mechanism, and gave health tips to employees according to the changing situation of the pandemic to ensure their healthiness.

Communication and Connection

The Group puts considerable effort into maintaining productive information exchange and interaction with its employees via various means of communication. The Group uses an internal email system, "Partner Express", as its platform for publishing Group news and real-time information. Institutional investors and media receive relevant content in the form of presentations and press releases. We also regularly publish key business information, branding development, and snapshots of employee life through our bimonthly electronic periodical "Partner", and consolidate all copies of "Partner" from the year and print them into a single book, accommodating employee's reading habit and connecting colleagues in the Mainland and Hong Kong. In addition, in order to offer greater convenience to employees and improve work efficiency, the Group has developed an online collaborative Office Automation Platform with comprehensive functions and mobile apps, allowing employees to access company information and conduct administrative work from anywhere, whether they are in or out of the office.

Volunteering Services

In 2012, CEL set up a volunteer team to give back to our society and contribute to the development of a sustainable community though diverse volunteering activities. Over the past few years, CEL's volunteer team has been organising various volunteering activities. The team has visited nursing homes, special child-care centres and schools, sheltered workshops, prepared meals for the elderly with Food Angel, joined garden maintenance activity at a historical monument, and hosted mural painting in school. The team has also participated in the "Sowers Action Challenging – Charity Hiking" for four consecutive years. Besides, we have also organised parent-child visits to Shandong, Heilongjiang, Guiyang, Jilin, Xinjiang, and other mainland provinces at the eye-train hospital by Lifeline Express for six consecutive years. For a long time, our volunteering activities have received positive feedback and passionate support from our colleagues.

In 2020, CEL volunteer team continued to actively participate in the "Big Little Things" events hosted by "Business for Social Good" under Our Hong Kong Foundation. The team went into the community to help the vulnerable groups solve their home problems and improve their quality of life. This year, we have held several activities to distribute safety anti-collision strip to 1,200 grassroots families and shared with them the installation procedures, aiming to reduce the occurrence of household accidents.

Work-Life Balance

The Group puts great care in employees' physical and mental health and conducts a series of measures to help them achieve work-life balance. In the past few years, the Group has built a closer partnership with employees through various initiatives, including timely information sharing, diverse activities, staff welfare programmes and incentives. We have launched the Employee Assistance Programme (EAP) since 2018 in which external professionals would provide advice and assistance to those colleagues who encountered problems in their personal life, family or work, so as to take care of their mental health and enhancing their commitment and satisfaction at work. The Group has extended this service to our Mainland China offices in 2020. In addition, by organising different kinds of training and recreational activities every year, such as "Potted Horticulture" activities, traditional Chinese medicine seminars, and so on, we strive to create a relaxing and free atmosphere for employees, meet their individual needs, encourage them to maintain interest and vitality in life, and achieve a better work-life balance.

OUR VALUE CHAIN

The Group constantly improves its fund management system to reduce risks and maximise the benefits of shareholders and investors. The Group also highly values close communication with shareholders and investors. Through regular liaison, the Board can gain a better understanding of the investment community's views on the Group.

Clients and Collaborating Partners

CEL's Macro Asset Management platform connects the thriving Mainland China and Hong Kong markets, which both possess huge potential. In recent years, we also actively sought overseas investment and cooperation opportunities to strengthen confidence of fund investors and business partners. Seeking to establish trusting and long-term relationships with our clients and partners, the Group employs a proven mechanism in risk management which protects mutual capital and benefits, and focuses on talent retention.

Before seeking external funding, the Group invests a certain amount of seed capital in each fund to demonstrate its confidence and commitment. During the capital commitment period, investment teams are required to invest a certain ratio of the Group's proprietary funding as risk capital, ensuring the same level of interest from both the fund management teams and investors. An independent investment assessment committee (or similar entity) is also established for each fund to maintain sound operations and protect the interests of external investors. When funds are being exited from a specific project, the interest stake held by the fund management team is in line with the holdings of other investors. This ensures the fund management team exercises an appropriate risk management approach underscored by a prudent and pragmatic manner when making investment decisions.

In the last decade, the financial sector was heavily impacted by market turbulence from the global financial crisis. The collapse of large financial institutions led to a review of fundamental thinking about the equilibrium between rapid business expansion and risk control. By leveraging its sound corporate governance and risk management system (please refer to the Corporate Governance and Risk Management Reports in our 2020 Annual Report for details), the Group has managed to achieve fast yet steady growth despite the market adversity. In order to enhance communications with fund investors and business partners, the Group held its first Everbright Investment Conference in 2012, which received positive feedback from attendees as well as CEL's various business units. The conference has been held every year from 2012 to 2019, and has taken place in Sanya, Shanghai, Xiamen, Chongqing, Qingdao, Hong Kong, Hangzhou and Zhengzhou, in that order. The conference has attracted more than 4,000 attendees in total, including business partners, professional investors and executives of invested companies from around the world. Attendees are updated on the latest developments in CEL's Macro Asset Management platform, the Group's strategies and prospects, its fund operations, and its business developments and advantages. This allows attendees to gain a better understanding of the fund's operation. They also take advantage of the opportunity to explore synergistic collaborations across sectors and areas, demonstrating the advantage of the Group's fund. Since the 2014 event CEL has also invited key journalists from Hong Kong and the Mainland, enabling investors and the financial community to learn the latest news about the Group through leading media outlets. Due to the pandemic, the conference was not held in 2020 to safeguard the health of attendees, while we maintained close communication with our stakeholders through other channels.

Shareholders and Investors

To enhance corporate transparency and disclosure, CEL places significant emphasis on maintaining strong communication channels with shareholders and investors. In 2020, CEL has participated in 15 investment bank activities, including 93 conferences, organised by Citibank, CICC, CITIC Securities, CSC Financial, Huatai Securities, GF Securities, Zhongtai Securities, etc. We have also arranged visits for investment companies, enquiry sessions for investors, and a total of 89 conferences with a total of 142 attendees. Furthermore, we maintained close contact with important shareholders including CITIC-Prudential Life Insurance, UBS and Lazard to understand their needs in a timely manner. As of 31 December 2020, fifteen analyst reports on CEL have been published by four institutions.

CEL's website (www.everbright.com) underwent a face lift in 2017 with a compelling layout design and functionality to support its business growth and international branding. A mobile version of our website has also been set up for the ease of mobile phone users. In order to exchange and share information, our clients and investors can communicate closely with our fund management teams via the login function for funds on the website. CEL also launched its WeChat public account (WeChat ID: chinaeverbright) in 2015, providing another convenient and diversified information channel for stakeholders and the public.

The Group's management maintains close communications with shareholders at the annual general meeting. After its interim and annual results are published, the Group also holds press conferences and analyst briefings twice a year. These presentations are recorded and made available as webcasts on CEL's website for public viewing. All reports and information are uploaded under Investor Relations to facilitate shareholders and investors in gaining a better understanding of CEL's operations.

OUR ENVIRONMENT

CEL has been committed to supporting sustainable development and environmental protection. The Group has started to invest in environmental protection and renewable energy-related companies including Xinjiang Goldwind Technology Co., Ltd., CECEP Wind Power Co., Ltd., etc. since 2006, in order to support environmental protection and sustainable development industries through investment. The "Everbright Belt and Road Green Investment Fund" was officially established this year to focus on ecological protection and green development, with the aims of investing in relevant companies in China and regions along the "Belt and Road" initiative. Through a diversified investment, not only do we create stable returns for investors, but we also contribute to the sustainable development of the Belt and Road Initiative.

Within the Group, the main environmental impacts are generally caused by energy use, paper consumption and waste generation. In view of this, the Group has adopted various environmental protection measures to minimise the impacts on the environment while maintaining effective corporate operations.

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

Energy Saving

Energy consumption is one of the main factors affecting the environment. The Group implements both soft and hard measures in energy saving, and manages energy consumed by employees and office facilities. In terms of employees, the Group's *Green Office and Sustainable Procurement Policy* strictly stipulates employee ethics to improve employees' environmental awareness and motivates them to save energy in their daily work environment, such as turning off computers and displays completely after work. We are also committed to reducing unnecessary power consumption caused by office equipment. For example, printers will be automatically switched to power saving mode when it is not in use. Before long holidays, the Group also issues a notice reminding employees to turn off the power before leaving the office. In 2020, CEL's total direct electricity consumption and direct fuel consumption decreased by 2.6% and 42.2% respectively compared to the previous year; where the substantial decrease in direct fuel consumption was mainly due to the reduction of usage of the Group's vehicles during the epidemic.

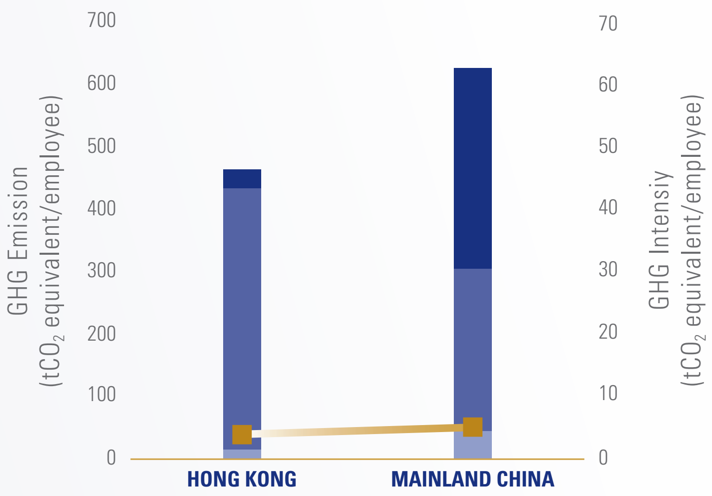
	Direct energy consumption	Direct energy consumption intensity
Electricity	960,768 kWh	3,129.54 kWh/employee
Fuel	17,315 litres	56 litres/employee

Greenhouse Gas Emissions Management

In order to reduce the burden on the environment, the Group is committed to an effective management of greenhouse gas ("GHG") emissions. Our GHG emissions[1] from our office operations are calculated according to "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong (2010 edition)" compiled by the Electrical and Mechanical Services Department and the Environmental Protection Department of Hong Kong. This year, for the first time, we referred to the ICAO Carbon Emissions Calculator to include greenhouse gas emissions from air travel in our emissions calculations, so that the Group can monitor and manage our greenhouse gas emissions more comprehensively. Meanwhile, the emission intensity will be used as an indicator to monitor the Group's future performance on greenhouse gas emissions.

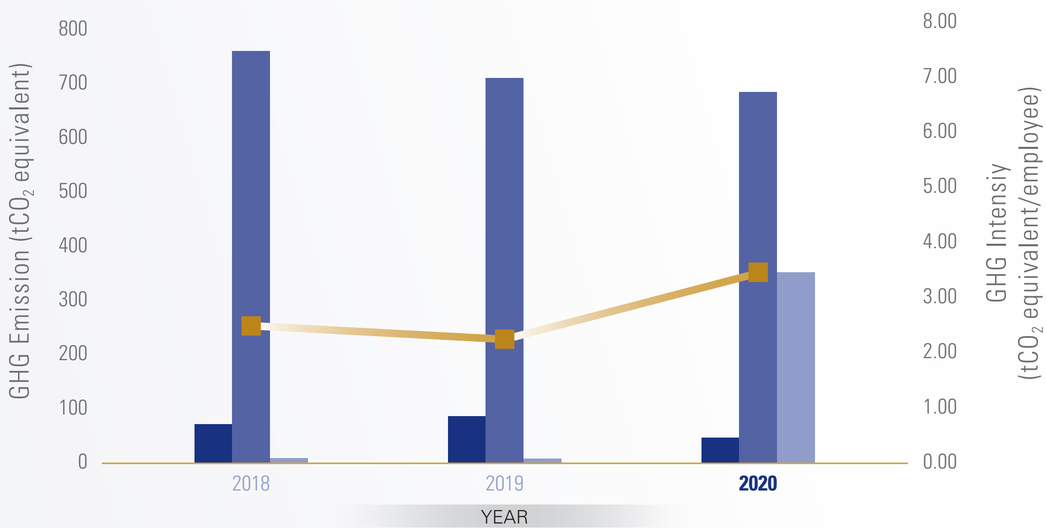
1 GHG calculation includes: direct fuel consumption (scope 1), electricity consumption (scope 2), paper disposal, drinking water consumption and air travel (scope 3); emissions factors for electricity purchased is referenced to the latest information released by Hong Kong Electric and "2015 Average Regional Baseline Grid Emission Factor in China" released by the National Development and Reform Commission; as we do not have data on fresh water consumption, the calculation of GHG emissions from drinking water only include the GHG emissions due to electricity used for sewage treatment by Drainage Services Department.

GHG EMISSIONS IN 2020



	Hong Kong	Mainland China
Other Indirect GHG Emissions (Scope 3)	28.6	321.9
Energy Indirect GHG Emissions (Scope 2)	421.9	268.4
Direct GHG Emissions (Scope 1)	7.0	39.9
Intensity	2.8	4.3

COMPARISON OF GHG EMISSION IN 2018-2020[2]



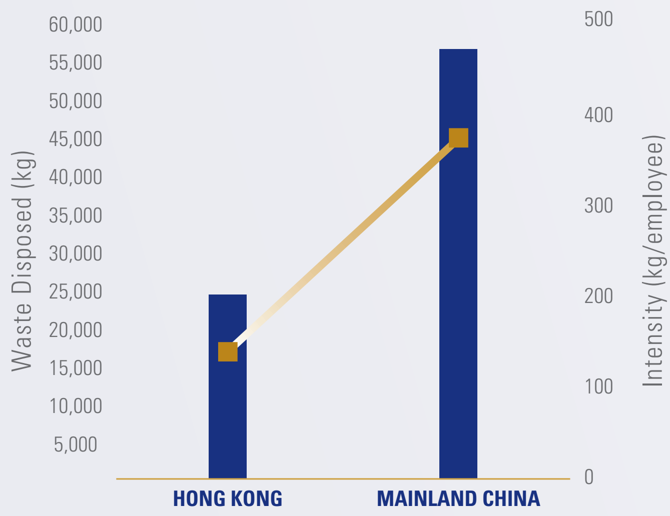
2 The significant increase in other indirect greenhouse gas emissions (Scope 3) and emission intensity stems from aircraft travel which was included in our calculation for the first time.

Waste Management

The Group's waste mainly comes from the office. We help employees develop recycling habits through a series of environmental protection measures to promote the environmental protection work of the Group. For example, we remind employees to utilise emails for communication and computer storage as much as possible, reuse printed paper for printing and receiving faxes in order to reduce the use of paper. We have paper recycling bins next to the photocopiers in the office, hoping to motivate our employees to recycle more paper. In addition, we also collect and recycle used toner cartridges to reduce waste. This year, the Group's recycling volume of toner cartridges reached 100% for the first time. Our Beijing office handles all waste in accordance with the requirements of the Beijing municipal waste classification and building properties. In other offices, the property management or contractor collects non-hazardous waste, which is handled and recycled by dedicated waste collectors. Waste fluorescent lamps containing mercury used by the Group are collected by our property management in all offices, who will then send them to appropriate recyclers or contractors for proper handling of hazardous waste. Our Hong Kong office also responds to the Environmental Protection Department's recycling programme to properly recycle regulated electrical appliances and other waste electronic equipment.

During the reporting period, we collected more than 2,400 kg of paper, aluminium cans and plastic bottles, more than 350 pieces of hazardous waste[3], and 334 toner cartridges.

WASTE DISPOSAL IN 2020



	Hong Kong	Mainland China
Waste Disposal	24,448	56,236
Intensity	151.9	385.2

[3] Including waste fluorescent lamps containing mercury.

MATERIAL USAGE

The Group adopts a prudent use of materials, with the aims of reducing the environmental impacts. In our offices, paper is the most consumed material, so the Group's requirements for paper use are particularly stringent. According to the Group's *Green Office and Sustainable Procurement Policy*, regardless of whether it is in Hong Kong or Mainland offices, the paper used in the Group's annual reports, business cards, envelopes and other paper products must be derived from responsible forest resources to prevent forest deforestation. In terms of other office equipment, the Group also prioritises the use of energy-saving equipment, such as photocopiers and LED lights; we will also choose to procure office supplies that are more environmentally friendly (such as recycled paper folders, needle-free environmentally friendly staplers, etc.), as far as applicable.

Our environmental protection requirements also extend to our suppliers. When purchasing items, the Group ensures that our suppliers are responsible for the environment and are in accordance with our *Green Office and Sustainable Procurement Policy*. The Group's paper suppliers all hold ISO14001 environmental management system certification, proving their effective environmental management, thus reducing the environmental impacts of the Group's supply chain.

OUR COMMUNITY

CEL is committed to fulfil corporate social responsibility ("CSR") and actively give back to the society. While we develop our business, we strive to use our expertise and resources to maximise the benefits of stakeholders, achieve win-win outcomes, and establish long term, trusting partnerships with them through implementing our *CSR Policy*. We divide our stakeholders into four groups and actively give back to the community through different aspects. As a company that highly values CSR, CEL is a strong supporter of disaster and poverty relief. In particular, CEL shows genuine concern for the community minorities and the underprivileged groups. The Group provides long term funding support to the related social service projects and offers resource allocation as well as other assistances, improving the public welfare and facilitating sustainable development in our diverse community.

During the pandemic, CEL continuously commit to our CSR. The Group has donated a total of RMB6 million to Hubei province in support of the anti-epidemic work. Meanwhile, in order to support China Everbright Senior Healthcare and its frontline nursing workers, CEL's employees donated their red packets and made voluntary donations, raising a total of RMB418,000 for those frontline workers battling the pandemic.

In 2008, CEL established the China Everbright Charitable Foundation ("CECF"), a charitable organisation recognised by the Hong Kong government. Over the past couple of years, CEL has been focusing on our four main themes "Bright Companion", "Vitality Everbright", "Education Support", and "Art Promotions", continuously sponsoring a variety of community service projects and charitable events that are beneficial to the Hong Kong community and the country.

Bright Companion

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

"Orbis" – International sight-saving organisation

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

Our Hong Kong Foundation – Contribute to the future and prosperity of Hong Kong

Since 2018, CEL has continuously sponsored "Our Hong Kong Foundation" to drive economic growth, technology and social innovation, and culture and art development in Hong Kong. CEL's volunteering team actively participated in the "Big Little Things" hosted by the foundation, helping low-income families to solve daily difficulties that seem subtle but are actually crucial to them. This year, we have organised several activities to distribute safety anti-collision strip to grassroots families and shared with them the installation procedures, aiming to reduce household accidents and to improve their quality of life. A total of 1,200 families benefitted from this programme. On top of that, we have also made donations to the "Relief Fund" and expanded the support of "Big Little Things" solutions to benefit more families through one-on-one matching support.

Vitality Everbright

CEL has an energetic corporate culture thanks to our staff and management's common interests on sports and health events. Through participating in various running/walkathon events, we have made substantial donations to a number of charitable organisations.

Spartan Race Hong Kong

CEL has title sponsored "Spartan Race Hong Kong" for three consecutive years. It was launched in Hong Kong in 2016 and welcomed by the wider public. Talents from different financial institutions also participated in the event to show their team spirit and strengthen team cohesion. This year, the physical event was postponed due to the pandemic, we are looking forward to sponsoring the event again in order to encourage the public to maintain a healthy and self-challenging lifestyle.

Education Support

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

"China Everbright Voice of the Stars Story-Telling Scheme": Promote understanding and greater awareness of Chinese History among the young generation in Hong Kong

In 2016, CEL launched "China Everbright Voice of The Stars Story-Telling Scheme". Title-sponsored by CEL, the project is run by Endeavour Education Centre Limited. Celebrities from different sectors are invited to deliver stories through audio-recording, with an aim to deepen local youths' understanding of Chinese history and culture. The project also aims to strengthen youths' sense of belonging to China, develop the spirit of patriotism and cultivate a positive attitude towards community building so as to make contributions to the future development of Hong Kong and China. The project has received an enthusiastic response since its launch and has been proceeded to the third stage. Even during the pandemic, the website is still updated regularly to ensure smooth learning process and achieve the objective of "suspending classes without suspending learning".

Dalton School Hong Kong – A top-notch teaching team, boasting a world-class learning environment for children

With years of preparation and support from CECF, Dalton School Hong Kong ("DSHK") was officially opened in 2017. The non-profit school has long been putting emphasis on its unique child-centred programme based on the world-renowned Dalton plan, along with its close partnership with the esteemed Tsinghua University Primary School to enhance student learning experience of Chinese language, history, culture and core values. As an international school in Hong Kong, DSHK makes full use of its own advantages by combining Chinese traditional education with Western teaching methods. This does not only broaden students' global vision, but also enhances the cultural and historical literacy of our nation. During the pandemic, the school launched distance learning across Dalton campuses, continuously providing students with quality education.

Art Promotions

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

Hong Kong Ballet

Since 2015, CEL has been title sponsoring classical productions of Hong Kong Ballet, such as "Nutcracker", "Swan Lake", "Don Quixote" and "Serenade and More" in the Mainland etc. Through continuous donations to Hong Kong Ballet's "Accessibility Fund", CECF offered free tickets to underserved communities in Hong Kong to enjoy and promote ballet performances. This year, the Group also sponsored the production of "Romeo and Juliet". Due to the pandemic, this programme to be held in June 2020 has been postponed to 2021.

Hong Kong Repertory Theatre

In 2018, CEL title sponsored a highlighted drama production by Hong Kong Repertory Theatre — "Hu Xueyan, My Dear" that toured both Hong Kong and Mainland China (Guangzhou, Shenzhen, Shanghai and Beijing), promoting Hong Kong culture through performances in both China and Hong Kong while also fostering connections and development of arts and culture between two sides. This year, we also title sponsored a major original musical by Hong Kong Repertory Theatre — "The Great Pretender". This programme to be held in May 2020 was cancelled due to the pandemic. We look forward to partnering with Hong Kong Repertory Theatre in the future in order to produce more splendid performances and promote the vibrant development of local culture and art.

AWARDS AND RECOGNITIONS

In recognition of the Group and CECF's continuous efforts and contributions in corporate social responsibility, CEL has been awarded a "Caring Company" and "Caring Organisation" for ten consecutive years since 2011. CEL has been awarded a "Happy Company" label for five consecutive year since 2015 jointly by the Hong Kong Productivity Council and the Promoting Happiness Index Foundation, in recognition of CEL's commitment in creating a healthy and caring corporate culture and prioritising work-life balance of employees. This year, we have been newly awarded the "Sport-Friendly Action" Decal by the Chinese YMCA of Hong Kong, and recognised as a "Mental Health Friendly Organisation" by the Hong Kong Department of Health and the Advisory Committee on Mental Health, to commend our actions in caring for the physical and mental health of our employees. CEL has also been awarded "Drive for Corporate Citizenship Volunteer Team" logo for four consecutive years in recognition of the Group's effort in engaging employees in social volunteering. CEL was also named as "Family-Friendly Employers" by the Home Affairs Bureau and the Family Council for two consecutive terms, and been awarded the "Good Employer Charter" and the "Family-friendly Good Employer" logo, acknowledging our efforts in promoting core-values relating to employee's work-life balance.

MEMBERSHIPS

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

INSTITUTION	CLASS OF MEMBERSHIP
Hong Kong Venture Capital and Private Equity Association (HKVCA)	Corporate Member
The Chamber of Hong Kong Listed Companies (CHKLC)	Corporate Member
China Venture Capital and Private Equity Association (CVCA)	Corporate Member
China Mergers and Acquisitions Association	Vice President
Chinese Financial Association of Hong Kong	Vice Chairman
Hong Kong Chinese Listed Companies Association	Corporate Member
Insurance Asset Management Association of China (IAMAC)	Special Cooperation Organisation

REAL ESTATE ASSET MANAGEMENT

Everbright Jiabao Co., Ltd. ("Everbright Jiabao") primarily focuses on the investment, asset management and development of real estate, and is committed to being a pioneer of China's cross-border real estate asset management companies. Everbright Ashmore China Real Estate Fund ("EBA"), as its subsidiary, is a cross-border real estate asset management firm. Being the largest industrial investment fund manager and real estate investment platform of China Everbright Group, EBA has been specifically engaging in real estate investment for over a decade and has become a leading figure in China's real estate PE industry.

Everbright Jiabao is rated as a Class 1 real estate development enterprise with an annual development capacity of over 1 million square meters. The brand has a good reputation and strong competitiveness in the Yangtze River Delta. EBA has gradually developed into a famous domestic industrial investment fund manager and real estate investment platform by utilising its shareholder resources and developing its own advantages. EBA's business is driven by innovation and shares a high reputation among the industry.

Our Employees

Everbright Jiabao adheres to the people-oriented concept and believes that human resources are the principal resource of the company. Everbright Jiabao implements various caring measures for employees and is committed to providing a diversified working environment to promote employees' career development along with the growth of the company. To improve the general quality of the personnel and enhance the core competitiveness of the Group, Everbright Jiabao has formulated the *Employee Handbook*, which lists the important information in detail according to relevant regulations. We also encourage our people to establish the awareness of self-learning and lifelong learning, and therefore provide all kinds of training to our employees and encourage active participation. We also organises recreational activities regularly, such as badminton and basketball games, arts and crafts workshops to help our employees maintain a work-life balance.

Our Value Chain

Everbright Jiabao has played an active role in practising the spirit of contract in business and established good relations with our stakeholders, such as investors, suppliers, construction units, customers, creditors and shareholders based on the principles of honesty, mutual benefit, compliance and legality.

For investors, we enhance their recognition and understanding of the Group's development strategy through communication channels such as online interactive platform and receptions, so as to safeguard their interests. In terms of construction work, we pay special attention to the interests of migrant workers and regard the ability to pay migrant workers timely as an important criterion for selecting construction enterprises so as to protect the rights and interests of workers.

Our Environment

We adheres to the concept of green development in the process of project development and the provision of related products and services. We adopt new materials, new processes, and new technologies proactively to construct green buildings, reduce energy consumption, and promote the harmonious development of buildings and people, buildings and environment, tenants and communities.

EBA is a keystone member of the International WELL Building Institute™(IWBI™) and is committed to building a healthy office environment that meets WELL standards. Many of our projects, including the new Everbright Center, EBA Center and EBA Center Hongqiao, have all received different certifications from IWBI™, the U.S. Green Building Council (LEED) and the National Green Building Standard, which affirms our low-carbon development and environmental protection concept.

We are also committed to implementing the concept of sustainable development with our suppliers. We select the companies with a strong sense of social responsibility to cooperate with in our business operations and focus on the application of the new products with environmentally friendly, low-carbon, and recyclable features.

Our Community

Everbright Jiabao takes "repaying shareholders, treating employees well, and giving back to the society" as its mission. The Group strives to be an outstanding corporate citizen with the goals to boost company development, employee growth, customer satisfaction, community prosperity, social harmony, resource conservation, and environmental friendliness.

We make use of our platforms and resources to carry out various forms of charity activities, participate in government projects, and fulfill social responsibilities. We play an active role in the construction of commercial housing for relocation within the region and provide high-quality housing for relocated households. To further promote the Group's public welfare undertakings, we established the Shanghai Jiabao Charity Foundation in 2012, which raises funds to reward those who do justice, nourish medical talents, support elderly care and cultural development in the community.

ARTIFICIAL INTELLIGENCE & INTERNET OF THINGS (AIOT)

Chongqing Terminus Technology Co., Ltd. ("Terminus") is the core strategic platform of China Everbright Group in the New Economy area. Specialising in the development and commercialisation of Artificial Intelligence (AI) as well as the Internet of Things (IoT) (collectively, AIoT), Terminus has become the most fast-growing AIoT enterprise and one of the largest AIoT City-Level platforms in China.

Terminus provides government and enterprises with comprehensive solutions under a variety of scenarios such as urban management, population management, building energy management, public safety management, environment and new infrastructure operation management, etc. Terminus actively facilitates industrial upgrading with first-class production capability. Based on its own AI + IoT technology, Terminus has enhanced quality of life in municipalities, urban corporate organisation as well as civil society in a variety of sectors including security, fire protection, energy, environment, transportation, retail, tourism, etc. Through the execution of Terminus's own "AIoT Loop" theory, Terminus explores opportunities in the New Economy and strives to be a world-leading smart service provider. Following the national strategy on "New Infrastructure Construction", Terminus has taken the lead to create a standardised product that defines future cities—AI CITY (artificial intelligence city), which has become a standardised, sustainable and replicable city-level solution, promoting global development of smart cities to a new stage. The first world-class project has been launched in Chongqing.

Our Employees

Terminus adheres to the people-oriented philosophy of employment; a working atmosphere and related mechanisms of simple, transparent, fair, proactive, emphasising execution and result-oriented; placing the company values of "simplicity and transparency, result-oriented, agile innovation, and responsibility" as the highest criterion; centring customers as our motives; and being proud of creating value for the society. Terminus has compiled the *Employee Handbook* so that employees can understand and familiarise themselves with relevant procedures such as remuneration and benefits, promotion opportunities, workplace discipline, and communication standards, as well as serving as a reference and consensus for employees' daily conduct. We established the Terminus University which works with the company's strategy to improve organisational capabilities, strengthen teamwork and communication, and create "Terminus-er" to cultivate mature technology, product, marketing and management talents. The company also organises different cultural and sports clubs, and team building activities according to the interests of employees, thus creating a great working atmosphere for employees.

Our Value Chain

Terminus is committed to becoming the world's leading smart scenarios service provider while adhering to the customer-centric service concept, and acting as an impetus for the AIoT industry. When serving the industry, Terminus regulates the company's commercial activities and operating behaviours with the code of conduct of honesty, compliance, and mutual benefit. We have also established good relationships with investors, suppliers, customers, and partners, maintaining a high-quality business reputation, and established various communication channels with the aforementioned partners to safeguard their legitimate interests. Under the trend of the Industrial Internet, we will explore opportunities to control risk and develop a sustainable business so as to effectively protect the interests of investors through the establishment of close cooperation.

Our Environment

Terminus actively promotes the R & D of smart cities and contributes to the sustainable development of the country. Through decent planning and data application, the design of smart cities can effectively reduce greenhouse gas emissions and non-recyclable waste; the application of various high-tech can also make residents live safer, healthier and greener.

Terminus' first world-class AI CITY was officially launched in Chongqing in April 2020. With the comprehensive application of artificial intelligence to areas including residence, transportation, work, recreation, and senior healthcare, the goal to achieve sustainable development can be truly achieved in the whole ecosystem covering design, construction, operation and service phases.

Our Community

While our business is booming, we never forget to give back to the community. The Terminus Charity Team has been regularly participating in charitable education activities to create a better education and learning environment for children in many places. This year, we organised a Chinese New Year activity called "Smart Classroom, Grow Together" to send New Year blessings and school supplies to the students of Qinglong Complete Primary School in Wanzhou District, Chongqing City, so as to improve the teaching quality and expand children's horizons.

Terminus also launched "Huolei Initiative" in response to COVID-19 to mobilise the company's internal forces, coordinate internal and external resources to support the epidemic areas. Around 20 million anti-epidemic equipment and RMB tens of millions valued of technological protective products were collected through global procurement, resources and donations worth nearly RMB4 million were then sent to more than a dozen cities in China, as well as countries including the United Arab Emirates and Qatar, to help localities overcome the epidemic.

FULL VALUE-CHAIN AIRCRAFT SERVICES

China Aircraft Leasing Group Holdings Limited ("CALC") is the largest independent aircraft operating lessor in China, as well as the first full value-chain aircraft solutions provider in Asia, with its business successfully expanded to the Asia Pacific, European, and American market.

Listed on the main board of the Stock Exchange of Hong Kong in 2014 (stock code: 1848.HK), CALC is the first aircraft lessor listed in Asia. CALC is currently a constituent stock of the Hang Seng Global Composite Index, the Hang Seng Composite Index, MSCI China Small Cap index, and an eligible stock under southbound trading of Shenzhen-Hong Kong Stock Connect.

CALC offers services at every stage of an aircraft life cycle, from new aircraft, mid-aged aircraft and retiring aircraft, capturing the asset value of an aircraft fleet by proactive asset management. Our scope of business includes regular operations such as aircraft leasing, purchase and leaseback, and structured financing, as well as value-added services such as fleet planning, fleet upgrade, aircraft disassembly and recycling, as well as component supply.

Our Employees

Our people's continued support has been critical in forming the solid foundation of our business and the sustainable development of the Company. To maintain a motivated and dedicated workforce, we emphasise training and career development, competitive remuneration and benefits, occupational health and safety as well as a healthy work-life balance.

We have established a set of comprehensive policies regarding employees' training and personal development. We also provide our employees with a wide range of internal and external training to ensure they are equipped with the required skills and knowledge to advance the Company to the next phase of growth. To assess employees' abilities and performance, appraisals are conducted during the relevant appraisal period by Department Head and Management. The result of the annual performance appraisal is used as a means of identifying improvement areas and training needs of the employees.

We established a sound welfare and safeguard system for employees. To allow employees to enjoy life apart from work, we organises various outings and charitable events. We also offer trip reimbursement every year for qualified employees. Employees who are on business trips are covered by travel insurance. All employees are insured against any industrial accident arising out of and in the course of their employment.

Our Value Chain

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

As a responsible company, CALC strives not only to comply with all the laws and regulations under which we operate, but also to build a better and greener future together with our supply chain. The Company has established a fair and transparent *Suppliers Selection and Management Procedure* for selecting and managing all suppliers to minimise risks relating to sustainability in the supply chain.

Our Environment

CALC highly advocates green operation to reduce the environmental impact. We have implemented a *Green Office Programme* to promote efficient use of office resources and raise the environmental awareness of our employees.

To keep track of and manage our impact on climate change, we regularly monitor and review our greenhouse gas emissions. In addition, we continue its purchase strategy of energy-efficient aircraft and phasing out of our aircraft models to improve aircraft fuel efficiency and reduce carbon emission.

We also conduct initial climate reviews to better understand how climate risks will impact our day-to-day operations. We have commenced a preliminary climate risk mapping exercise at the Company level, in which we outlined the physical and transitional risks of climate change that are relevant to our business, as well as the potential consequences of those risks, to help us better develop our business in a sustainable way.

Our Community

CALC is committed to corporate social responsibility through implementing an *ESG Policy* and encouraging local community service, charitable and educational activities.

With COVID-19 widely spreading around the globe in 2020, medical supplies ran into shortages in many places. CALC took advantage of its extensive aviation resources to assist Tencent in delivering medical supplies to the frontline hospitals in New York, resolving the local urgent needs. At the same time, we have set up a special workgroup to fight against the pandemic, which has delivered over HKD1.5 million worth of medical resources to domestic and overseas epidemic areas to support front-line medical staff.

SENIOR HEALTHCARE

China Everbright Senior Healthcare Company Limited ("Everbright Senior Healthcare") is China Everbright Group's subsidiary company which focuses on comprehensive healthcare industrial development. Everbright Senior Healthcare has accurately anticipated the market and capitalised on opportunities since its establishment with growing momentum, and has become a renowned senior healthcare industrial group in China. Everbright Senior Healthcare forms a diversified senior healthcare ecosystem covering the full value chain with institutional elderly services as its backbone, rehabilitation and nursing as its core services, community, in-home, and foreign senior healthcare services as complementary to its core business, M&A funding and asset management as its means to gain driving force, "Smart Senior Healthcare" and "All-inclusive Care for the Elderly" as its key features.

Upholding the service philosophy of "Improving the Life Quality for Senior Citizens and their Family Members", Everbright Senior Healthcare establishes one-stop bespoke service solutions for senior healthcare based on the demands of senior citizens. We have combined multiple operational models of "medical care + senior healthcare, insurance + senior healthcare, and services + senior healthcare" to cover various needs for the senior citizens under its care.

By taking advantage of China Everbright Group's powerful resources as well as following a high-quality and sustainable business development model, Everbright Senior Healthcare is gradually building itself into a leading enterprise in China's elderly care industry.

Our Employees

Everbright Senior Healthcare is committed to building a team of talents who are passionate about their careers and equipped with professional knowledge and capabilities. To efficiently perform training management and ensure the quality of teaching, we have implemented *Training Management Policies*, with which we build a scientific and efficient personnel training system, encourage employees in continuous learning, improve their general quality and post competence, so as to meet the human resource demand for Everbright Senior Healthcare's strategic development. We have also set up "Senior Management College" to train future managers and improve the training and assessment system to achieve high-level operations in elderly care, medical care, management, and investment.

During the epidemic, our people stood fast to their posts and tried their best to maintain the operation of the elderly care nursing homes. In response to the shortage of protective materials, CEL distributed 10,000 N99 masks to us as emergency support to ensure the health and safety of our employees. During the Labour Day holiday, the management of Everbright Senior Care paid a special visit to the colleagues working under closed management. The management brought them supplies and expressed their cordial greetings and holiday blessings during the visit.

Our Value Chain

Leveraging China Everbright Group's Comprehensive Health collaboration platform, Everbright Senior Healthcare cooperates with multiple parties to deploy a Comprehensive Health industrial chain and launches all kinds of medical and senior healthcare products. Everbright Senior Healthcare drives with capital operation and senior healthcare services operation to promote the mutual integration of the senior healthcare industry and financial capital. Adhering to the service philosophy of "Improving the Life Quality for Senior Citizens and their Family Members", Everbright Senior Healthcare also strives to leverage its own business advantages and combines multiple models including "Medical + Senior Healthcare", "Insurance + Senior Healthcare", and "Service + Healthcare" to comprehensively cover different living needs of the elderly.

Our Environment

Everbright Senior Healthcare attaches great importance to environmental protection and has adopted various measures to reduce the impact of our business operations on the environment. We have established the *Environmental Management Practices* to strictly regulate the daily compliance discharge and waste disposal of the nursing homes. We also actively participate in the operation training on environmental protection offered by the government to ensure that our staff fully understand the related regulations and implement them correctly. The *Consevation Management Practices* we established strengthens the monitoring and analysis of water, electricity, and gas consumption by designating the person in charge of each facility to handle abnormal situations in time, thereby wasting less resources.

We are also committed to applying the concept of green building in new projects to minimise the impact on the environment as well as promoting the physical and mental health of the elderly. We strictly prohibit the use of materials containing polycyclic aromatic hydrocarbons (PAHs) in new projects and use steam heating equipment to replace combustion-based heating to improve indoor air quality. We try to introduce natural light into our nursing homes' construction design and adopt LED energy-saving lamps to reduce lighting power consumption. We also reduced our water usage and sewage discharge by installing water-saving devices, sewage treatment and recycling systems. To improve the awareness of environmental protection of the elderly, their family members and our employees, we put up energy-saving and water-saving tips around the nursing homes and conduct regular education and promotion activities.

Our Community

"Demonstrate the responsibility of a state-own enterprise through social responsibility" is the corporate purpose of Everbright Senior Healthcare. Facing the serve challenge from COVID-19 in 2020, Everbright Senior Healthcare adopted closed management, conducted sanitation and disinfection, set up isolation areas, followed up with the elderly and employees who had symptoms to protect the health of our people. We also paid special attention to the emotional status of the elderly. In addition to promoting the right knowledge about epidemic prevention, we also arranged cultural and recreational activities for them to ease their tension.

During the critical period of national epidemic control, Everbright Senior Healthcare shouldered the responsibilities of a state-own enterprise, actively responded to the call of China Everbright Group, and launched a special healthcare action to pay tribute to the front-line medical workers and their parents in the nationwide. Through our utmost sincerity and action, we helped guide the public to care for the frontline medical staff and their families who support them all the way.

PERFORMANCE DATA

ECONOMIC PERFORMANCE (CEL)	HK$'000
DIRECT ECONOMIC VALUE GENERATED	
Income from contracts with customers	540,419
Income from investments	4,337,695
Income from other sources	108,143
Share of profits less losses of associates	563,020
Share of profits less losses of joint ventures	43,300
ECONOMIC VALUE DISTRIBUTED	
Finance costs	1,062,091
Other costs[4]	1,235,915
Dividends	825,775
Taxes[5]	546,289
Loss attributable to non-controlling interests	(22,773)
Charitable donations	8,326
ECONOMIC VALUE RETAINED	
Retained for CEL's sustainable operation and development	1,936,954

4 Represents other costs but excludes depreciation and amortisation for the year

5 Represent current income tax but excludes deferred tax for the year

ENVIRONMENTAL PERFORMANCE[6]	CEL	EVERBRIGHT JIABAO	TERMINUS	CALC	EVERBRIGHT SENIOR HEALTHCARE
GREENHOUSE GAS (GHG) EMISSIONS[7]					
Scope 1 (tonnes CO_2 equivalent)	46.9	29.4	0	12.8	No Data
Scope 2 (tonnes CO_2 equivalent)	690.3	19.7	148.3	140.7	No Data
Scope 3 (tonnes CO_2 equivalent)	350.5	6.1	482.2	111.1	No Data
Total GHG emissions (tonnes CO_2 equivalent)	1,087.7	55.2	630.5	264.6	No Data
GHG emissions intensity (tonnes CO_2 equivalent/employee)	3.5	1.6	1.0	1.7	No Data
FUEL AND WATER CONSUMPTION					
Direct electricity consumption (kWh)	960,768.0	32,319.0	243,107.0	248,522.0	No Data
Direct electricity intensity (kWh/employee)	3,129.5	923.4	398.5	1,635.0	No Data
Water consumption[8] (m^3)	72.3	No Data	310.0	20.9	No Data
Water intensity[9] (m^3/employee)	0.2	No Data	0.5	0.1	No Data
Direct fuel consumption – Petrol (L)	17,315.0	10,841.0	0	4,728.0	No Data
Direct fuel intensity (L/employee)	56.0	309.7	0	31.1	No Data
MATERIALS CONSUMPTION AND RECYCLING					
Paper consumption (kg)	5,205.0	231.4	2,219.0	3,317.0	No Data
Paper recycled (kg)	2,405.0	1,030.0	0	237.0	No Data
Cartridges consumption (pcs)	334	No Data	No Data	No Data	No Data
Cartridges recycled (pcs)	334	No Data	No Data	No Data	No Data
WASTE DISPOSAL					
Non-hazardous waste (kg)	80,864.0	880.0	No Data	4,463.0	No Data
Non-hazardous waste intensity (kg/employee)	262.8	25.1	No Data	29.4	No Data
Hazardous waste[10] (pcs)	400	2	No Data	No Data	No Data
Hazardous waste intensity (pcs/employee)	1.3	0.1	No Data	No Data	No Data

6 Since our four major platform companies will formulate their own environmental management policies, some of these companies could not provide data that are completely consistent with CEL's.

7 Our GHG emissions from our office operations are calculated according to "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong (2010 edition)" compiled by the Electrical and Mechanical Services Department and the Environmental Protection Department of Hong Kong, as well as the ICAO Carbon Emissions Calculator. GHG calculation includes: direct fuel consumption (scope 1), electricity consumption (scope 2), paper disposal, drinking water consumption and air travel (scope 3); emissions factors for electricity purchased is referenced to the latest information released by Hong Kong Electric and "2015 Average Regional Baseline Grid Emission Factor in China" released by the National Development and Reform Commission; as we do not have data on fresh water consumption, the calculation of GHG emissions from drinking water only include the GHG emissions due to electricity used for sewage processing by Drainage Services Department.

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

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

10 Including waste fluorescent lamps containing mercury.

SOCIAL PERFORMANCE	CEL	EVERBRIGHT JIABAO	TERMINUS	CALC	EVERBRIGHT SENIOR HEALTHCARE[11]
EMPLOYEES (BY EMPLOYMENT TYPE)					
Full-time	307	35	608	151	30
Part-time	0	0	2	1	0
EMPLOYEES (BY GENDER)					
Male	163	22	392	74	13
Female	144	13	218	78	17
EMPLOYEES (BY AGE GROUP)					
Under 30	30	6	129	19	10
30 – 40	164	14	353	90	12
41 – 50	77	8	119	32	6
Above 50	36	7	9	11	2
EMPLOYEES (BY GEOGRAPHICAL REGION)					
Hong Kong	161	0	0	74	0
Mainland China	146	35	610	63	30
Ireland	–	–	–	15	0
EMPLOYEES (BY EMPLOYMENT CATEGORY)					
Chief level executives	14	2	3	4	0
Senior management	43	8	19	13	3
Middle management	97	7	62	43	6
General staff	153	18	526	92	21
TURNOVER RATE					
Overall turnover rate	21.2%	2.9%	30.2%	20.4%	16.7%
TURNOVER RATE (BY GENDER)					
Male	23.3%	0	33.2%	24.3%	17.6%
Female	18.8%	7.7%	24.8%	16.7%	15.4%

11 Only includes the headquarters of Everbright Senior Healthcare.

SOCIAL PERFORMANCE (Continued)	CEL	EVERBRIGHT JIABAO	TERMINUS	CALC	EVERBRIGHT SENIOR HEALTHCARE
TURNOVER RATE (BY AGE GROUP)					
Under 30	50.0%	0	36.4%	42.1%	30.0%
30 – 40	19.5%	7.1%	28.1%	17.8%	8.3%
41 – 50	13.0%	0	29.4%	15.6%	16.7%
Above 50	22.2%	0	33.3%	18.2%	0
TURNOVER RATE (BY GEOGRAPHICAL REGION)					
Hong Kong	19.9%	–	–	20.3%	–
Mainland China	22.6%	2.9%	30.2%	22.2%	16.7%
Ireland	–	–	13.3%	–	–
PERCENTAGE OF EMPLOYEES TRAINED (BY GENDER)					
Male	100%	100%	70.2%	60.8%	100%
Female	100%	100%	80.3%	73.1%	100%
PERCENTAGE OF EMPLOYEES TRAINED (BY EMPLOYMENT CATEGORY)					
Chief level executives	100%	100%	0	25.0%	–
Senior management	100%	100%	52.6%	38.5%	100%
Middle management	100%	100%	48.4%	69.8%	100%
General staff	100%	100%	78.0%	71.7%	100%
AVERAGE TRAINING HOURS (BY GENDER)					
Male	26.4	17.0	4.5	1.1	13.7
Female	29.5	17.5	5.8	2.3	15.9
AVERAGE TRAINING HOURS (BY EMPLOYMENT CATEGORY)					
Chief level executives	20.1	39.0	0	0.4	–
Senior management	21.1	38.0	4.2	0.6	12.0
Middle management	25.2	10.4	4.8	1.6	13.0
General staff	32.2	8.2	5.0	2.0	16.0
OCCUPATIONAL HEALTH AND SAFETY[12]					
Work-related fatalities	0	0	0	0	0
Fatality rate	0	0	0	0	0
Work-related injuries[13]	0	0	0	0	0
Injury rate	0	0	0	0	0
Lost days due to work injury	0	0	0	0	0
High-consequence work-related injuries[14]	0	0	0	0	0
High-consequence work-related injury rate	0	0	0	0	0

12 Fatality rate, injury rate, and high-consequence work-related injury rate referred to the calculation methods suggested in GRI403-9. Calculation is based on 200,000 hours worked by 100 full-time workers in a year.

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

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

GRI AND ESG REPORTING GUIDE CONTENT INDEX

This Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Main Board Listing Rules of The Stock Exchange of Hong Kong and GRI Standards: Core option. The following table provides an overview on the material topics, Subject Areas, Aspects and their General Disclosures, as well as the Key Performance Indicators (KPI), which are either referred to the relevant chapters of the Report or supplemented with additional information.

ESG Reporting Guide Content Index

GENERAL DISCLOSURES AND KPIS	DESCRIPTION	CROSS-REFERENCES/ REMARKS
ENVIRONMENTAL		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	We do not hold any relevant policy as our operations do not cause significant impact on the air, greenhouse gas emissions, discharges into water and land, and generation of hazardous waste. There are no relevant laws or regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
KPI A1.1	The types of emissions and respective emissions data.	Emissions caused by fuel combustion of the Group's vehicle[15]: SO_x: 0.255 kg NO_x: 10.145 kg PM: 0.747 kg
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment; Performance Data
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment; Performance Data
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment; Performance Data

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

GENERAL DISCLOSURES AND KPIS	DESCRIPTION	CROSS-REFERENCES/ REMARKS
ENVIRONMENTAL		
Aspect A1: Emissions		
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Our Environment We will implement emission reduction measures in accordance with the *CEL Green Office and Sustainable Procurement Policy*, and to actively explore various emissions reduction solutions.
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Our Environment The Group has set the goal of reducing total amount of non-hazardous waste disposed by 2% for the next year[16]. We will implement waste reduction measures in accordance with the *CEL Green Office and Sustainable Procurement Policy*.
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw material.	Our Environment Our water supply in offices and washrooms are provided by the building's management. Therefore, we do not have policy on the efficient use of water as it is beyond our control.
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Our Environment; Performance Data
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Performance Data Only includes water consumption for drinking. The property management could not provide the water consumption figure for the Group's offices.

16 As our current amount of hazardous waste disposed is already at its practicable minimum, setting a reduction target for hazardous waste is not feasible.

GENERAL DISCLOSURES AND KPIS	DESCRIPTION	CROSS-REFERENCES/ REMARKS
ENVIRONMENTAL		
Aspect A2: Use of Resources		
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Our Environment We will implement energy conservation measures in accordance with the *CEL Green Office and Sustainable Procurement Policy*, we also aim to adopt LED lighting in all our new offices, as well as replacing conventional lighting with LED lights when undergoing renovation.
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Our offices' water is managed by property management. We did not find any issue in water sourcing. Our water supply in offices and washrooms are provided by the building's management. Therefore, we have not set water efficiency target. Nevertheless, we strives to reduce water consumption in our daily operations.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	We do not generate any packaging material in our office operations.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Our office operations will not cause any significant impact on the environment and natural resources.
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our office operations will not cause any significant impact on the environment and natural resources.
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	The Group has not yet formulated policies related to climate change. We will explore the possibilities of formulating related policies in the future.
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	CEL's Approach to ESG Management

GENERAL DISCLOSURES AND KPIS	DESCRIPTION	CROSS-REFERENCES/ REMARKS
SOCIAL		
EMPLOYMENT AND LABOUR PRACTICES		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our Employees There are no relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Our Employees; Performance Data
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our Employees There are no relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	There are no work-related fatalities occurred in the past three years.
KPI B2.2	Lost days due to work injury.	Performance Data
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Our Employees

GENERAL DISCLOSURES AND KPIS	DESCRIPTION	CROSS-REFERENCES/ REMARKS
SOCIAL		
EMPLOYMENT AND LABOUR PRACTICES		
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our Employees
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Our Employees; Performance Data
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our Employees; Performance Data
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	The Group has formulated the *Human Rights Policy* and incorporated it into our *Staff Handbook*. Since the Group's business does not involve any deployment of child labour or forced labour, the Group has not formulated relevant policies. However, we will explore the possibilities of including relevant regulations in our *Human Rights Policy* in the future. There are no relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	The Group regularly reviews its employment practice to ensure that we are in compliance with the Employment Ordinance of Hong Kong, Labour Law of the PRC, and other laws and regulations related to child and forced labour.
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	The Group has zero tolerance towards such practice. Violations are subject to internal disciplinary actions or handled by relevant authorities.

GENERAL DISCLOSURES AND KPIS	DESCRIPTION	CROSS-REFERENCES/ REMARKS
OPERATING PRACTICES		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	CEL's Approach to ESG Management Since the business of the Group is mainly office operation, the environmental and social risk of the related supply chain is relatively low. Therefore, we have not formulated relevant policies.
KPI B5.1	Number of suppliers by geographical region.	Hong Kong: 12 Mainland China: 35
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	CEL's Approach to ESG Management; Our Environment
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	CEL's Approach to ESG Management; Our Environment
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	CEL's Approach to ESG Management; Our Environment

GENERAL DISCLOSURES AND KPIS	DESCRIPTION	CROSS-REFERENCES/ REMARKS
OPERATING PRACTICES		
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	The Group has not identified material concerns in its services regarding health and safety, thus a dedicated policy is not in place. Meanwhile, we have formulated the *Management Guidelines for Confidential Information and Confidentiality Agreements* in light of advertising, labelling and privacy matters relating to our services provided, so as to safeguard client assets and data, respect intellectual property rights, and to protect the interests of all stakeholders and at the same time meet our statutory responsibility as a Hong Kong listed company and parent of a number of regulated entities. There are no relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

GENERAL DISCLOSURES AND KPIS	DESCRIPTION	CROSS-REFERENCES/ REMARKS
OPERATING PRACTICES		
Aspect B6: Product Responsibility		
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable as the Group does not provide any physical products
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	There is no complaints
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our *Staff Handbook* details the requirements for observing and protection intellectual property rights. Employees must ensure that all intellectual property rights generated during the performance of their duties do not infringe the rights of others.
KPI B6.4	Description of quality assurance process and recall procedures.	Not applicable
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Our *Management Measures for Confidential Information and Confidentiality Agreements* states that employees have the responsibility to keep confidential information including consumer data and privacy secure; it also details related implementation and monitoring methods (such as the procedures and regulations for signing confidentiality agreements).

GENERAL DISCLOSURES AND KPIS	DESCRIPTION	CROSS-REFERENCES/ REMARKS
OPERATING PRACTICES		
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	CEL's Approach to ESG Management
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	There were no legal cases regarding corrupt practices brought against the Group or its employees during the reporting period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Please refer to General Disclosure and the Corporate Governance section of our 2020 Annual Report.
KPI B7.3	Description of anti-corruption training provided to directors and staff.	During the reporting period, we invited the Independent Commission Against Corruption (ICAC) to organise anti-corruption training seminars for employees. A total of 50 employees participated in the seminar.
COMMUNITY		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Our Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Our Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Our Community; Performance Data

GRI Content Index

DISCLOSURE NUMBER	DISCLOSURE	CROSS-REFERENCES/ REMARKS	PAGE NUMBER
GENERAL DISCLOSURE			
Organisational Profile			
GRI 102: General Disclosures 2016			
102-1	Name of the organisation	About This Report	53
102-2	Activities, brands, products, and services	Our Sustainable Business	57
102-3	Location of headquarters	About This Report	53
102-4	Location of operations	About This Report	53
102-5	Ownership and legal form	About This Report For details of ownership, please refer to this annual report.	53
102-6	Markets served	About This Report	53
102-7	Scale of the organization	CEL's Approach to ESG Management For details of scale of the organisation, please refer to this annual report.	58 – 60
102-8	Information on employees and other workers	Our Employees; Performance Data The Group's activities are not performed by a significant amount of workers who are not employees.	60 – 64; 78 – 81
102-9	Supply chain	Our Environment	66 – 69
102-10	Significant changes to the organization and its supply chain	There were no significant changes	–
102-11	Precautionary Principle or approach	CEL's Approach to ESG Management	58 – 60
102-12	External initiatives	The Group has not subscribed or endorsed any external initiatives	–
102-13	Membership of associations	Memberships	72

DISCLOSURE NUMBER	DISCLOSURE	CROSS-REFERENCES/ REMARKS	PAGE NUMBER
GENERAL DISCLOSURE			
Strategy			
GRI 102: General Disclosures 2016			
102-14	Statement from senior decision-maker	Refer to the chapter "Chairman Statement" in the Annual Report	28 – 31
Ethics and Integrity			
GRI 102: General Disclosures 2016			
102-16	Values, principles, standards, and norms of behaviour	CEL's Approach to ESG Management	58 – 60
Governance			
GRI 102: General Disclosures 2016			
102-18	Governance structure	Refer to the chapter "Corporate Governance Report" in the Annual Report	98 – 121
Stakeholder Engagement			
GRI 102: General Disclosures 2016			
102-40	List of stakeholder groups	Materiality Assessment and Stakeholder Engagement	54 – 56
102-41	Collective bargaining agreements	No current employees are covered by collective bargaining agreements.	–
102-42	Identifying and selecting stakeholders	Materiality Assessment and Stakeholder Engagement	54 – 56
102-43	Approach to stakeholder engagement	Materiality Assessment and Stakeholder Engagement	54 – 56
102-44	Key topics and concerns raised	Materiality Assessment and Stakeholder Engagement	54 – 56

DISCLOSURE NUMBER	DISCLOSURE	CROSS-REFERENCES/ REMARKS	PAGE NUMBER
GENERAL DISCLOSURE			
Reporting Practice			
GRI 102: General Disclosures 2016			
102-45	Entities included in the consolidated financial statements	Refer to the chapter "Consolidated Statement of Financial Position" in the Annual Report	157 – 158
102-46	Defining report content and topic Boundaries	About This Report	53
102-47	List of material topics	Materiality Assessment and Stakeholder Engagement	54 – 56
102-48	Restatements of information	No restatement was made on the content of last year's report.	–
102-49	Changes in reporting	Compared with the earlier reporting period, there are the below changes made to the topics and topic boundaries: Added to the list of material topics -Responsible Investment, Indirect Economic Impact, Material and Resource Usage Removed from the list of material topics – Employment, Occupational Health and Safety, Socioeconomic Compliance Added to report boundaries – Four platform companies of the Group	–
102-50	Reporting period	About This Report	53
102-51	Date of most recent report	Last report was published in April 2020	–
102-52	Reporting cycle	Annual	–
102-53	Contact point for questions regarding the report	About This Report	53
102-54	Claims of reporting in accordance with the GRI Standards	About This Report	53
102-55	GRI content index	GRI and ESG Reporting Guide Content Index	82 – 97
102-56	External assurance	We will consider external assurance in the future.	–

DISCLOSURE NUMBER	DISCLOSURE	CROSS-REFERENCES/ REMARKS	PAGE NUMBER
MATERIAL TOPICS			
GRI 200: Economic			
Economic Performance			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	54 – 56
103-2	The management approach and its components	Refer to the chapter "Management Discussion and Analysis" in the Annual Report	32 – 51
103-3	Evaluation of the management approach	Refer to the chapter "Management Discussion and Analysis" in the Annual Report	32 – 51
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated and distributed	Performance Data	78 – 81
Indirect Economic Impacts			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	54 – 56
103-2	The management approach and its components	Refer to the chapter "Management Discussion and Analysis" in the Annual Report	32 – 51
103-3	Evaluation of the management approach	Refer to the chapter "Management Discussion and Analysis" in the Annual Report	32 – 51
GRI 203: Indirect Economic Impacts			
203-2	Significant indirect economic impacts	The Group has not identified any significant indirect economic impacts that may be caused to stakeholders and the economy during our operations.	–
Anti-corruption			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	54 – 56
103-2	The management approach and its components	CEL's Approach to ESG Management	58 – 60
103-3	Evaluation of the management approach	CEL's Approach to ESG Management	58 – 60
GRI 205: Anti-corruption2016			
205-3	Confirmed incidents of corruption and actions taken	CEL's Approach to ESG Management	58 – 60

DISCLOSURE NUMBER	DISCLOSURE	CROSS-REFERENCES/ REMARKS	PAGE NUMBER
MATERIAL TOPICS			
GRI 300: Environment			
Materials			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	54 – 56
103-2	The management approach and its components	Our Environment	66 – 69
103-3	Evaluation of the management approach	Our Environment	66 – 69
GRI 301: Materials 2016			
301-1	Materials used by weight or volume	Our Environment; Performance Data	66 – 69; 78 – 81
Energy			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	54 – 56
103-2	The management approach and its components	Our Environment	66 – 69
103-3	Evaluation of the management approach	Our Environment	66 – 69
GRI 302: Energy 2016			
302-1	Energy consumption within the organization	Our Environment; Performance Data All fuel consumption within the organisation comes from non-renewable sources and for electricity use. Total Energy Consumption: 4,017,262.1 MJ Source of Conversion factor: *China Energy Statistical Yearbook 2019*	66 – 69; 78 – 81
302-3	Energy intensity	Our Environment; Performance Data Overall energy intensity: 13085.5 MJ/employee Energy intensity only reflects the energy consumption within the organisation	66 – 69; 78 – 81

DISCLOSURE NUMBER	DISCLOSURE	CROSS-REFERENCES/ REMARKS	PAGE NUMBER
MATERIAL TOPICS			
GRI 300: Environment			
Emissions			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	54 – 56
103-2	The management approach and its components	Our Environment	66 – 69
103-3	Evaluation of the management approach	Our Environment	66 – 69
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	Our Environment; Performance Data Calculations are based on the global warming potentials published in the IPCC (Intergovernmental Panel on Climate Change) Fifth Assessment Report, 2014 (AR5), and only include CO_2, CH_4 and N_2O. We do not have any biogenic emissions.	66 – 69; 78 – 81
305-2	Energy indirect (Scope 2) GHG emissions	Our Environment; Performance Data	66 – 69; 78 – 81
305-3	Other indirect (Scope 3) GHG emissions	Our Environment; Performance Data	66 – 69; 78 – 81
305-4	GHG emissions intensity	Our Environment; Performance Data GHG emissions intensity covers Scope 1, 2 and 3 GHG emissions. Calculations are based on the global warming potentials published in the IPCC (Intergovernmental Panel on Climate Change) Fifth Assessment Report, 2014 (AR5), and only include CO_2, CH_4 and N_2O.	66 – 69; 78 – 81
Environmental Compliance			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	54 – 56
103-2	The management approach and its components	Our Environment	66 – 69
103-3	Evaluation of the management approach	Our Environment	66 – 69
GRI 307: Environmental Compliance 2016			
307-1	Non-compliance with environmental laws and regulations	Our Environment	66 – 69

DISCLOSURE NUMBER	DISCLOSURE	CROSS-REFERENCES/ REMARKS	PAGE NUMBER
MATERIAL TOPICS			
GRI 400: Social			
Training and Education			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	54 – 56
103-2	The management approach and its components	Our Employees	60 – 64
103-3	Evaluation of the management approach	Our Employees	60 – 64
GRI 404: Training and Education 2016			
404-1	Average hours of training per year per employee	Our Employees; Performance Data	60 – 64; 78 – 81
404-2	Programs for upgrading employee skills and transition assistance programs	Our Employees	60 – 64
Diversity and Equal Opportunity			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment and Stakeholder Engagement	54 – 56
103-2	The management approach and its components	Our Employees	60 – 64
103-3	Evaluation of the management approach	Our Employees	60 – 64
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	Our Employees; Performance Data Diversity Data of the Board of Directors: By Gender: Male – 100% By Age Group: 30-50 years old – 14.3% Over 50 years old – 85.7% By Ethnicity: Chinese (Han) – 100% We do not have ethnicity data of our employees. We will refine our database and include such data in the future.	60 – 64; 78 – 81

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 shareholders and stakeholders as a whole in a sustainable manner.

The Company's board (the "Board") of directors (the "Director(s)") 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 2020, save for the deviation from code provision A.2.1 of the Code as detailed in the section headed "Chairman and Chief Executive Officer" in this report.

BOARD

Composition of the Board

The Company is led by the Board that is effective and of quality. The Board acts honestly and fiducially and makes decisions objectively for the best interests of the Company, so as to bring maximum value to the shareholders in the long term and practically fulfill its obligations to the stakeholders of the Company. 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 seven members including:

EXECUTIVE DIRECTORS

- Dr. Zhao Wei (Chairman)
- Mr. Zhang Mingao
- Mr. Tang Chi Chun Richard
- Mr. Yin Lianchen

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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 are management officers with 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, performances, conflicts of interest and management processes, which ensure that the interests of all shareholders are taken into account.

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

All the existing Directors (including 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, 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 (including INED) 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 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 will 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 will be taken into account in determining the optimum composition of the Board and when possible should be balanced appropriately.

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

Board appointments are based on merit, and candidates are considered against objective criteria, having due regard to the benefits of diversity on the Board, including age and gender. Selection of female candidates to join the Board will be, in part, depending on the pool of female candidates 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.

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

The Board considers that Board diversity is a vital asset to the business.

At present, the Board has not set any measurable objectives for implementation of the Board diversity policy. However, the Board will consider and review from time to time the Board diversity policy and setting of any measurable objectives (if applicable).

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 considers all the INEDs to be independent in character and judgment. 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 of Association of the Company 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.

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 and financial performance through reviewing and approving its annual business plan and financial budget, and ensures CEL has adequate resources, staff qualification and experience in accounting, financial reporting and internal audit functions;
- 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 corporate governance and corporate social responsibility, ensuring good corporate governance and compliance; and
- monitors the performance of the Management.

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

Corporate Governance Functions

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

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

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

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

Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are held by Dr. Zhao Wei. The roles of the Chairman and the Chief Executive Officer are clearly established and stipulated in the terms of reference of the Board. As the Chairman of the Board, Dr. Zhao leads the Board in order to ensure that the Board discharges its formal responsibilities and conforms to good corporate governance practices and procedures. Besides, he is also responsible for making sure that all Directors are properly informed of important issues on which the Company is focusing and that all Directors receive accurate, timely and clear information. The Chairman also leads the Board in formulating business objectives and their related strategies. He is also responsible for organising the business of the Board, setting its agenda to take full account of the important issues facing CEL and the concerns of all Directors, ensuring that adequate time is available for thorough discussion of critical and strategic issues, and ensuring its effectiveness with the assistance of the Company Secretary. The Chairman facilitates the effective contribution of the Directors and the effective communication with the stakeholders, ensures that timely and adequate information, which must be accurate, clear, complete and reliable, is delivered to the Directors to fulfill their duties. The Chairman is also overseeing and giving guidance to the Management in order to enhance the functions of the Board. As the Chief Executive Officer, he is responsible for leading the Management, who implements and executes the important policies and development strategies approved by the Board. The Chief Executive Officer, assisted by the Management, is delegated by the Board to take charge of and report to the Board regularly on all affairs in relation to the day-to-day operation of the Company, save for matters reserved by the Board.

Code provision A.2.1 of the Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Notwithstanding the deviation from code provision A.2.1, the Board considers that with the support of the Management, vesting the roles of both the Chairman and the Chief Executive Officer by the same person can facilitate strong leadership, promote efficient execution of the Group's business strategies and boost effectiveness of its operation. The Board reviews the above arrangement from time to time and will consider to separate the two roles as and when appropriate.

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

Training and Support for Directors

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

To ensure that all Directors can constantly update their knowledge and make informed recommendations and advice to the Board, the Board has established a guideline on directors' training. In addition to arranging appropriate directors' training on an annual basis, the Company issues "monthly circulars" to 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 reports, and reading materials in relation to directors' responsibilities. The said reading materials are mainly used for providing 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 Board members are of sufficient details to enable the Directors to perform relevant 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 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 2020:

DIRECTORS	TYPE OF TRAINING
EXECUTIVE DIRECTORS	
Zhao Wei	A, C
Zhang Mingao	A, B, C
Tang Chi Chun Richard	A, C
Yin Lianchen	A, B, C
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Lin Zhijun	A, B, C
Chung Shui Ming Timpson	A, C
Law Cheuk Kin Stephen	A, C

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

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

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

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

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

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

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

Attendance Rate

The attendance rate of the Directors at Board meetings and various Board committee meetings as well as the general meetings of the Company in 2020 is set out below:

DIRECTORS/MEMBERS	BOARD MEETING	NOMINATION COMMITTEE MEETING	AUDIT & RISK MANAGEMENT COMMITTEE MEETING	REMUNERATION COMMITTEE MEETING	GENERAL MEETING
Zhao Wei	9/9	N/A	N/A	N/A	1/1
Cai Yunge[1]	7/8	0/1	N/A	2/2	1/1
Zhang Mingao	9/9	N/A	N/A	N/A	1/1
Tang Chi Chun Richard	9/9	N/A	N/A	N/A	1/1
Yin Lianchen	9/9	N/A	N/A	N/A	1/1
Lin Zhijun	9/9	2/2	7/7	3/3	1/1
Chung Shui Ming Timpson	9/9	2/2	7/7	3/3	1/1
Law Cheuk Kin Stephen	9/9	2/2	7/7	3/3	1/1

Note:

1 Dr. Cai Yunge resigned as an Executive Director with effect from 25 September 2020.

Every Director performs his duties as a Director at all times in good faith, objectively, with diligence and in the best interest of CEL. The Directors have to spend substantial time for the meetings of the Board and the Board committees, including reading the papers before the meetings, allowing sufficient discussion of the issues in the meetings and having in-depth understanding of the follow-up issues under the agenda after the meetings. The Company also requires the Directors to disclose to the Company each year the number and nature of offices held in 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 five Board committees to carry out its responsibilities, including the Executive Committee, the Audit and Risk Management Committee, the Nomination Committee, the Remuneration Committee and the Strategy Committee. In addition, the Board will, if necessary, authorise an independent board committee comprising only INEDs to review, approve and monitor the connected transactions (including continuing connected transactions) in accordance with the requirements of the relevant laws and regulations. The Terms of Reference of the Board clearly define the terms of reference of the Board committees. The Board committees can make recommendations to the Board on relevant matters within their terms of reference, or make decisions under appropriate circumstances within the power as delegated by the Board. The Board committees submit their reports on their work semi-annually. As mentioned, the Terms of Reference of the Board, which set out the terms of references of all the Board committees, are published on the Company's website and the website of the Stock Exchange.

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

Executive Committee

The Executive Committee was established in 2005. All Executive Directors are members of the Executive Committee. Upon delegation by the Board, the Executive Committee makes decisions regarding major issues as proposed by the Board through interactive communications from time to time. The Executive Committee currently comprises four members: Dr. Zhao Wei, Mr. Zhang Mingao, Mr. Tang Chi Chun Richard and Mr. Yin Lianchen. Dr. Zhao Wei, the Chairman of the Board, is also the Chairman of the Executive Committee.

Audit and Risk Management Committee

The Audit and Risk Management Committee (the "Committee") was established in 1999 and formerly known as the Audit Committee. The Board is aware that risk management and control is one of the core parts of CEL's business operation. In February 2006, the Committee entirely consisting of all INEDs was renamed as Audit and Risk Management Committee, and 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 Chief Risk Officer and Risk Management Department assist the Committee in performing the daily risk management function with guidance of the Committee in order to ensure that the risk management and internal control systems have been implemented and complied with. The Committee assists the Board in fulfilling its responsibilities relating to the supervision of the financial statements, internal control, internal audit and external audit of the Company. The written terms of reference of the Committee, which were prepared with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants and updated with reference to the requirement of the Code, were approved and properly authorised by the Board. The Terms of Reference of the Committee is available for inspection on the Company's website. The Committee mainly assists the Board in performing its role in the Company in the following areas, among others:

Internal Audit Function

- to conduct annual audit planning reviews with the Internal Auditor, at the time of which the Internal Audit Department will review the general adequacy of the accounting system and internal control system and will outline the indicated internal audit programme in respect of the Company and its subsidiaries for review and guidance by the Committee;

- to conduct audit activity reviews with the Internal Auditor, at the time of which the Internal Auditor will highlight the significant events and findings which, in their opinion, require the Committee's knowledge and/or attention. As background preparation for such reviews, the Internal Auditor will be invited to attend the Committee meetings to present the internal audit reports in respect of the Company and its subsidiaries. The Committee will discuss the reports and report the summary of reports as appropriate to the Board;

- to ensure that co-ordination between the Internal and External Auditors is adequate and that the internal audit function has adequate resources and appropriate standing within the Company; and

- to review and monitor the effectiveness of the internal control system, the internal audit function and the annual audit plan based on a risk methodology process.

In addition, pursuant to paragraphs C.2 and C.3.3 of the Code, the Committee conducted an annual review of the effectiveness of the risk management and internal control systems of the Company with the assistance of the Risk Management Department and 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 detailed information about the review.

External Auditors

- to appoint, retain, dismiss and replace the Company's External Auditors, subject to endorsement by the Board and final approval and authorisation by the shareholders of the Company in general meetings, and to approve the remuneration and terms of engagement of the External Auditors, and any questions of its resignation or dismissal; and monitor the associated fees and independence of the External Auditors to ensure that the performance of non-audit services does not impair the independence of the External Auditors in connection with their audit. The non-audit service to be performed by the External Auditors shall be separately identified in connection with its pre-approval if the total amount of fees exceeds the annual caps authorised by the Committee;
- to meet the External Auditors at least annually, in the absence of the Management, to discuss matters relating to any issues arising from the audit and any accounting, financial reporting or internal control matters the External Auditors may wish to raise;
- to review and monitor the effectiveness of the audit process in accordance with applicable standards and discuss with the External Auditors the nature and scope of the audit and reporting obligations before the audit commences;
- to review the work of the External Auditors (including the resolution of any disagreement between the Management and the External Auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, the scope of their audit and any other services, and approve the fees for and terms of their services;
- review with the External Auditors recent or anticipated developments in accounting principles or reporting practices that may affect the Company or the scope of the audit; and discuss major anticipated audit problems, if any;
- to review results of audits performed by the External Auditors including any changes in accounting procedures and/or the system of internal controls noted or developed during the audit examination along with matters of controversy, if any, with the Management, determine appropriate actions required on significant control weaknesses, and recommend such actions to the Board; and
- to review the External Auditors' management letter, any material queries raised by the External Auditors to the Management about accounting records, financial statements or systems of control and the Management's response.

Financial Reporting

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

The Committee will invite the Chief Financial Officer, Chief Risk Officer, Head of Internal Audit Department and External Auditors to attend all its meetings. The Committee will consider any significant and unusual items that are, or may need to be, reflected in the report and financial statements, and will give 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 paragraphs C.2.3 and C.2.4 of the Code, with assistance of the Chief Risk Officer and the Risk Management Department, 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, 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 and of the internal control system and the work of internal audit;

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

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

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

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

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

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

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

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

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

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

Corporate Governance

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

Whistleblowing

The Committee is responsible for monitoring the use and effectiveness of the whistleblowing policy for employees and other stakeholders who deal with the Company to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company, including but not limited to improprieties in financial reporting, internal control and audit matters. The Committee also needs to ensure that proper arrangements are in place for fair and independent investigation of these improprieties and for appropriate follow-up action; to receive, review and act upon any report regarding evidence of any material violation of securities law or breach of fiduciary duty or similar violation by the Company or any agents thereof, if such a report is submitted to the Committee by an attorney or otherwise.

The work performed by the Committee in 2020 included the review and, where applicable, approval of:

- the Company's financial statements for the year ended 31 December 2019 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 2020 and the interim results announcement thereof, which were recommended to the Board for approval;
- the audit report and management letter submitted by the external auditors;
- the quarterly risk assessment report submitted by the Chief Risk Officer;
- the quarterly internal audit report submitted by the Internal Audit Department;
- the re-appointment of external auditors, and the audit fees and non-audit fees payable to external auditors for the annual audit, interim review and other non-audit services; and
- CEL's internal audit plan and key areas of the internal audit work focus for 2021.

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

- to review the systems of financial control, internal control and risk management;
- to discuss the internal control system with the Management to ensure that the Management has performed its duty to have an effective internal control system. This discussion should include:

  (a) an annual review of the adequacy of resources, staff qualifications and experience, training programmes and budget of accounting, internal audit and financial reporting function;

  (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 CEO and CFO; and

  (e) to review the internal audit function and monitor its effectiveness of the Company.

The Committee currently comprises three members, and all members including the chairman are INEDs. It is chaired by Dr. Chung Shui Ming Timpson and the other members are Mr. Law Cheuk Kin Stephen and Dr. Lin Zhijun. All of them possess appropriate professional qualifications and experiences in financial business. Seven Committee meetings were held during the year with an attendance rate of 100%.

Nomination Committee

The Nomination Committee, which was established in 2005, 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 Chief Executive Officer;
- 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.

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 periodically.

The Nomination Committee currently has three members: Dr. Lin Zhijun, Dr. Chung Shui Ming Timpson and Mr. Law Cheuk Kin Stephen. Dr. Lin Zhijun, an INED, is the chairman. All members of the Nomination Committee are INEDs. Stability of the Board members, committee members and senior management was maintained in 2020 and the Nomination Committee held two meetings in the year in relation to making recommendation to the Board on the appointment of the Chairman, the review of the structure, size and composition (including skills, experience and knowledge) of the Board and the Board committees, assessing the independence of the INEDs, and discussing and making recommendation 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 approximately 86%.

Remuneration Committee

The Remuneration Committee, which was established in 2005, as delegated by the Board, is responsible for assisting the Board in overseeing the Group's human resources and remuneration policies. The Remuneration Committee assists the Board in fulfilling its supervisory role over the Company in the following areas, among others:

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

The work performed by the Remuneration Committee in 2020 included the review and, where applicable, approval of:

- the performance appraisal of the Executive Directors and senior management for the year 2019;
- the proposal on staff bonus (including the senior management) for the year 2019 and salary adjustments for the year 2020 for the Company;
- the remuneration package of a newly appointed Executive Director;
- the incentive scheme of the Company; and
- the policies on performance appraisal of the Company's staff (including senior management), annual bonus and annual salary adjustments.

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 Remuneration Committee, 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) and determines expense allowance for Directors to attend meetings and other allowances. The proposed remuneration is put to shareholders for final approval at general meetings. 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. 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. None of the Directors is entitled to determining his/her own remuneration package. The Remuneration Committee reviews and approves the annual and long-term performance targets for senior management with reference to corporate goals and objectives approved by the Board from time to time. The Remuneration Committee also reviews the performance of the senior management against the targets set on an ongoing basis, and reviews and approves the specific performance-based remuneration of the senior management. The Remuneration Committee seeks professional advice in appropriate circumstance at the cost of the Company.

The remuneration received by each of the Directors in 2020 is listed in note 8(a) to the financial statements in this Annual Report. The remuneration received by the senior officers is disclosed in this report according to the band of their remuneration. For 2020, the Directors' remuneration approved by the Board as authorised by shareholders at the general meeting is as follows:

The Director's fee for the year ended 31 December 2020 is HK$200,000 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 and Strategy Committee. However, an expense allowance was 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 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.

There is no director's fee for the year ended 31 December 2020 for Executive Directors.

A basic allowance in a total amount of HK$100,000 will be paid to each INED every year on 1 July and prior to the Lunar New Year.

The Remuneration Committee currently has three members comprising Dr. Lin Zhijun, Dr. Chung Shui Ming Timpson and Mr. Law Cheuk Kin Stephen. The Remuneration Committee is chaired by Dr. Lin Zhijun, an INED. All members of the Remuneration Committee are INEDs. A total of three meetings were held by the Remuneration Committee during the year with an attendance rate of 100%.

Remuneration of Directors and Senior Management

The remuneration of the members of the senior management by band for the year ended 31 December 2020 is set out below:

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

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

Strategy Committee

The Strategy Committee, which was established in 2006, is responsible for studying the long term strategy and planning of the Group and making recommendations to the Board for the middle and long term development strategies of the Group. The Strategy Committee is chaired by Mr. Law Cheuk Kin Stephen, an INED, and currently has six members including Mr. Law Cheuk Kin Stephen, Dr. Zhao Wei, Mr. Zhang Mingao, Mr. Yin Lianchen, Dr. Lin Zhijin and Dr. Chung Shui Ming Timpson. The Strategy Committee reviewed the strategic positioning and development planning of the Company.

Independent Board Committee

An Independent Board Committee will be formed from time to time to make recommendation and 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 will submit 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 External Auditors and Board members are of full range, complete, correct and without omission, covering financial and relevant non-financial information. The letter forms the supporting documents for the Board to sign off the Representation Letter to the External Auditors.

INTERNAL CONTROL

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

The Company's risk management and internal control systems include several different functions: business units, operations, risk management, compliance, institutional sales, brand management, legal and 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 Company'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 of 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, 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 will be developed more effectively and efficiently.

2nd. Continuously monitoring of middle and back office

The middle and back offices, including: Finance and Accounting, Operations, Legal, Compliance and Company Secretarial, Risk Management, and Information Technology 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 standardized approach to evaluate whether the operating activities, risk management and internal control are appropriate and effective. The director of Internal Audit reports directly to the Audit and Risk Management Committee on its work while the monitoring and daily administrative matters of the department are reported to the Chief Risk Officer.

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

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

The review of risk management and internal control by the Board

Risk Management Department prepares the risk management report on a quarterly basis and submits it to the Audit and Risk Management Committee for review. The report outlines the risks faced by CEL, changes in business activities, compliance issues and recommendations. In addition, the Board reviews the effectiveness of CEL's risk management and internal control systems with the assistance of the Audit and Risk Management Committee, which covers all material control including financial, operational and compliance control, and the risk management system. Also, the results of the 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 at the year end. 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 yearly, under the assistance of the Chief Financial Officer, Chief Risk Officer and the Internal Audit Department. The scope of the review covers the staffing and back-up resources, their relevant working experiences and years served, recognized 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 Chief Risk Officer of the Company 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. The Chief Risk Officer regularly reports to the Audit and Risk Management Committee and the Management Decision Committee. The Risk Management Department assists the Chief Risk Officer in carrying out his duties.
- The Audit and Risk Management Committee reviews the letter of recommendation submitted by the external auditors to the Management in connection with the annual audit. The Internal Audit Department is responsible for ensuring that the recommendations are promptly followed, and will also periodically report the status of the implementation thereof to the Audit and Risk Management Committee and keep the Management informed with updated information.

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 Department and the Management, the Audit and Risk Management Committee is responsible for ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Management's written confirmation on the effectiveness of the risk management and internal control system's structure, their implementation and monitoring to the Board has been set out in the Risk Management Report on pages 122 to 129 in this Annual Report.

BOARD EVALUATION

Each of the Board and Board committees will conduct a self-assessment review of their own effectiveness from time to time and review and amend as appropriate their terms of reference and working rules according to the needs.

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. Following a specific enquiry made by the Company, all Directors confirmed that they have complied with the required standard set out in both the Code and the Model Code throughout the year ended 31 December 2020.

CONSTITUTIONAL DOCUMENTS

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

EXTERNAL AUDITORS

Pursuant to the responsibility delegated by the Board, the Audit and Risk Management Committee had reviewed and monitored the independence, objectivity and effectiveness of Ernst & Young ("EY"), the Group's external auditors, on their audit procedures, and the results were satisfactory. Upon the recommendation of the Audit and Risk Management Committee, the Board had proposed that EY be re-appointed as auditors of the Group. Subject to the approval by the shareholders at the Company's 2020 annual general meeting, the Board will authorise the Audit and Risk Management Committee to determine the remuneration for EY.

For 2020, EY charged total fees of HK$15,680,000 for audit services, HK$3,963,000 for non-audit services (including HK$1,844,000 for the review of the interim financial statements and HK$2,119,000 for tax and other services) and there were no other assurance services. For 2019, EY charged total fees of HK$16,115,000 for audit services, HK$5,115,000 for non-audit services (including HK$1,844,000 for the review of interim financial statements and HK$3,271,000 for tax and other services), and HK$1,921,000 for other assurance 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 2020 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 2020 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 price sensitive 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. A member of the Management Decision Committee is identified and authorised to act as the Company's spokesperson and respond to enquiries in allocated areas of issues.

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 2020 annual general meeting held on 21 May 2020 to address to questions and comments raised by shareholders.

In addition, the Company also provided further information on the 2020 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 its 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 and the investment community with the Company.

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

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 of the Association of the Company, 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

The general meeting is the principal opportunity and ideal venue for shareholders to meet and 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 improving the Company's operational and governance matters.

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 procedures as follows:

- the way in which shareholders can convene a general meeting:

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

  The request –

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

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

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

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

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

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

- the procedures for making proposals at shareholders' meetings:

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

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

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

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

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

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

INVESTOR RELATIONS AND COMMUNICATIONS

The Company believes that communicating with the shareholders and investors by electronic means (in particular through the Company's website) is an efficient way of delivering information in a timely and convenient manner. An "Investor Relations" section is available on the Company's website at www.everbright.com. Information published on the Company's website is updated from time to time. Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes financial statements (annual report and interim report), results announcements, circulars, notices of general meetings, announcements and monthly return 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 Board and the management team, service philosophy and corporate social responsibility are posted on the website of the Company. Corporate communications are provided to the shareholders in plain language and in both English and Chinese versions to facilitate shareholders' understanding. Web-casting service will be provided on the meetings announcing the interim and final results of the Company.

Investor briefings and one-on-one meetings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forum etc. will be available on a regular basis in order to facilitate communications between the Company, shareholders and the investment community.

SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY

The Company attaches great importance to corporate social responsibility. The Board is committed to undertaking corporate social responsibility by strengthening relationship with its stakeholders with a view to contributing to the sustainable development of the economy, society and environment. The Company consistently supports and participates in activities that are beneficial to the community. Please refer to the "Environmental, Social and Governance Report" set out on pages 52 to 97 of this Annual Report.

COMPANY SECRETARY

The Company Secretary of the Company is the Head of the Legal, Compliance and Company Secretarial Department of the Company and a full time employee of the Company who is familiar with the daily operation of the Company. 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 and his department. He has the relevant professional qualifications as stipulated by the Listing Rules. The Company Secretary confirmed that for the year under review, he has taken no less than 15 hours of relevant professional training.

The Company's Articles of Association state 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 its 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 Chief Risk Officer, who reports directly to the Audit and Risk Management Committee, has responsibility for the risk and control framework of the Company and the independent monitoring and reporting of risks and controls.

Risk Management Framework:

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

- the Board and the Management Decision Committee promote a culture in which risks are identified, assessed and reported in an open, transparent and objective manner; and

- the over-riding priority is to protect the Company's long-term viability and reputation and produce sustainable, medium to long-term returns.

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

Internal Control Framework:

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

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

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

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

COMMUNICATION OF RISK & INTERNAL CONTROL REVIEW REPORTS

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

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

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

The risk and internal control review report is updated quarterly and the Chief Risk Officer provides an update at each quarterly Audit and Risk Management Committee meeting where the Committee members contribute views and raise questions to ensure the risk management and internal controls are effective and in place.

EFFECTIVENESS OF FINANCIAL REPORTING & LISTING RULE COMPLIANCE

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

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

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

PROCESS OF ASSESSMENT AND MANAGEMENT OF SIGNIFICANT RISKS

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

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

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

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

MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL

Terms of Reference

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

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

Risk Management & Internal Control

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

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

BOARD RESPONSIBILITY ON RISK MANAGEMENT & INTERNAL CONTROL

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

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

PROCESS OF REVIEWING THE EFFECTIVENESS OF RISK MANAGEMENT & INTERNAL CONTROL

On behalf of the Board, the Audit and Risk Management Committee carried out the annual assessment of the effectiveness of the risk management and internal control during 2020, 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 Chief Financial Officer, Internal Audit Department and also from the External Auditor which enabled an evaluation of the effectiveness of the Company's risk management and internal control, and no significant failings or weaknesses were identified.

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

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

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

REVIEW OF KEY RISKS

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

KEY RISK	CHANGES IN 2020	MITIGATING FACTORS
FINANCIAL		
Liquidity Risk	⬆	
- Risk of failing to meet the Company's contractual or payment obligations in a timely manner.	- The Company has continued to hold sufficient bank credit facilities and can use these facilities as appropriate to maintain liquidity, based on their utilisation and cash flow conditions, while maintaining financial leverage within the authorised limit.	- The Company's cash position, available facilities and forecast cash flows are closely monitored by Finance Department and under the overseeing of Risk Management Department. - The Company performs long term forecasts and uses stress tests to assess the Company's future liquidity and short term forecasts to closely monitor any change of liquidity need.
Financial Leverage Risk	⬇	
- Key risk that arises from high financial leverage occurs when a company's return on asset does not exceed the interest on the loan, which greatly diminishes a company's return on equity and profitability. - Additionally, high financial leverage may raise the risk of failing to fulfill the relevant requirements from loan covenants (if any) and result in technical default.	- Increase in cash inflow as a result of project exits and the issuance of Senior Perpetual Capital Securities during the year, leading to lower financial leverage.	- The Company has projected the firm-wide cash flows, return and profitability at least annually. After consideration from the perspective on financial control and risk management, the Management advises the Board regarding the optimised financial leverage ratio and relevant limits for approval. - The approved financial leverage ratio and relevant limits are closely monitored by Finance Department and Risk Management Department regularly.

Key: ⬆ Risk level increased ⬇ Risk level decreased ➡ No significant change in risk level

KEY RISK	CHANGES IN 2020	MITIGATING FACTORS
Foreign Currency Risk		
- Risk that the Company's financial position is exposed to adverse movements in exchange rates.	- Appreciation of RMB during the year had direct or indirect positive impact on the Company's assets invested in RMB, but it was partially offset by the negative impact on RMB panda bonds. Overall foreign currency risk had no significant change.	- Monitor asset exposures by currency and the foreign currency rate movement regularly. - Improve currency matching between asset and liability, reducing currency mismatch risk. - Perform sensitivity analysis on the effect of change in foreign currency rates.
Interest Rate Risk		
- 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.	- Due to the Federal Reserve decreasing its benchmark US interest rate, there is a gradual decrease in the interest rates of USD/HKD, and RMB interest rate remains stable.	- Monitoring on interest rate mismatch and sensitivity test are performed regularly. - The Company has managed to decrease overall loan borrowing cost by adjusting the whole loan structure by monitoring interest rate trends of USD/HKD and RMB.
INVESTMENT		
Market Risk		
- Risk arises from market movements, which can cause a fall in the value of investments.	- World equity market showed significant volatility due to coronavirus, yet the China and Hong Kong market rebounded in second half of the year. Overall the Company has still faced significant market risk.	- Limits on the aggregate amount of seed capital investment and diversification of the assets invested. - The Company actively develops businesses which are fee based so that our return and profitability will be more stable. - Our asset allocation tends to put more weight into fixed income products which are more immune to market fluctuation. - Actively seek market opportunities to speed up exiting existing investments in order to mitigate market risk of the Company.

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

RISK MANAGEMENT REPORT continued

KEY RISK	CHANGES IN 2020	MITIGATING FACTORS
Credit Risk	↓	
- Risk exposed to credit losses if borrowers are unable to repay loans and outstanding interests and fees. - In addition, the Company has exposure to counterparties with which we place deposits or trades, and derivative contracts.	- The Company's provision on loan has decreased, the overall credit risk is within controllable level. - Our counterparty risks are broadly unchanged.	We seek to minimize our credit risk from our lending by: - Lending on a majorly secured basis with significantly emphasis placed on the underlying security. - Manage to maintain consistent and conservative loan to value ratios and short-term tenor. - Operating strong control and governance both within business units and with overseeing by Risk Management Department. Our exposures to counterparties are mitigated by: - Seek to diversify our exposures across different counterparties. - Continuous monitoring of credit quality of our counterparties within approved set limits.
OPERATIONAL		
Operational Risk	↓	
- Risk of losses through inadequate or failed internal processes, people or systems or through external events.	- The Company's Operations Department set up in 2015 expand rapidly and enhance continuously the identification, control and management on operational risks.	- Our control systems are designed to ensure operational risks are mitigated to an acceptable level. - Three lines of defend model abovementioned is key point. - Risk and control assessments are used to identify and assess key operational risks. Associated controls are assessed with regard to their design and performance. Where required, processes and controls are enhanced/optimized to improve the supervision and control. - We manage risk events through identification, evaluation reporting, risk mitigating resolution and continuous monitoring with the aim of preventing risk events from recurring. - Relevant trading/settlement/investment operation management systems/information management systems are implemented, enhanced continuously and enhanced automation procedures to mitigate relevant operational risks.

Key: ↑ Risk level increased ↓ Risk level decreased → No significant change in risk level

KEY RISK	CHANGES IN 2020	MITIGATING FACTORS
Legal and Regulatory Risk	↑	
- Changes to the existing legal, regulatory and tax environments and failure to comply with existing requirements may materially impact the Company. - Failing to treat customers fairly, safeguard client assets or provide advice/products contrary to clients' best interest may damage our reputation and may lead to legal or regulatory consequences including litigation, regulatory condemnation and customer redress. This applies to current, past and future business.	- The changes in legal and regulatory requirements in recent years lead to additional reporting requirements, operational complexity and cost to the Company.	- Legal, Compliance and Company Secretarial Department tracks legal and regulatory developments to ensure the Company is prepared for both local and related countries' changes. In addition to developing policies, delivering training and performing monitoring checks, they provide advice to other departments to ensure compliance with legal and regulatory requirements. They also work with project groups to implement key regulatory changes. - Governance and control processes to review existing and approve new funds/products/ investments. - Training for relevant staff regarding the legal and regulatory requirements for running the Company's businesses. - Continuous monitoring of key legal and regulatory requirement, as well as work with Finance Department to study tax developments to anticipate their potential impact.
Information Technology Risk	→	
- Risk of failure to keep up with changing customer expectations or manage upgrades to existing technology may impact the Company performance.	- The Company continued to invest and upgrade its IT infrastructure and systems, including corporate data warehouse, investment management system and order management system.	- The Company continues to invest in its IT infrastructure, data management system, reporting system and other software/ systems. - We have sound governance in place to oversee our major IT projects. - We have in place business continuity and disaster recovery plans.

Key: ↑ Risk level increased ↓ Risk level decreased → No significant change in risk level

KEY RISK	CHANGES IN 2020	MITIGATING FACTORS
Loss of Key Personnel Risk	No significant change in risk level	
– Risk of failure to recruit or retain appropriately skilled and experienced staff may have a material adverse effect on the Company's operations and implementation of its strategy.	– Annual staff turnover generally has no significant change in 2020.	– The Company seeks to develop, attract, motivate and retain staff through comprehensive human resource policies. – Comprehensive, systematic and highly transparent evaluation policies are used to evaluate staff performance. – Maintains loyalty through appropriate remuneration and benefit packages. – Contracts for relevant roles have restrictive covenants and enhanced notice periods are in place for key staff. – Comprehensive training is offered to all staff to promote individual and team development. – In order to avoid reliance on any one individual staff, teams are required to ensure each individual has another staff as alternative backup. – We have set up promotion policy so that employees have clear career path to pursue and are motivated to stay for long term development.
REPUTATIONAL		
Reputational Risk	No significant change in risk level	
– Risk that negative publicity regarding the Company will lead to client redemptions and a decline in AUM and revenue. – The risk of damage to the Company's reputation is more likely as a result from one of the other key risks materializing rather than as a standalone risk.	– The Company's brand continued to strengthen in recent years as evidence by positive feedback from clients, increasing AUM and social recognition.	– High standards of conduct and a principled approach to regulatory compliance are integral to our corporate culture and values. We consider key reputational risks when initiating changes in strategy or operating model. – Reputational risk is primarily mitigated through the effective mitigation of the other key risks. – Our risk appetite, risk and compliance policies, governance structures and reward mechanism include significant focus on issues and behaviors that could positively affect the Company's reputation.

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

DIRECTORS' *REPORT*

The board of directors (the "Board"or "Director(s)") hereby presents the Annual Report together with the audited financial statements of China Everbright Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2020.

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 32 to 51 and the Risk Management Report set out on pages 122 to 129 respectively of this Annual Report. The discussion on the Group's environmental policies and performance, the Group's key relationships with employees, customers, suppliers and other stakeholders, and the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, can be found in the Environmental, Social and Governance Report set out on pages 52 to 97 of this Annual Report. These discussions form part of this Directors' Report.

TURNOVER AND CONTRIBUTION TO GROUP RESULTS

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out on page 155 of this Annual Report.

The Board has recommended the payment of a final dividend of HK$0.35 per share for the year ended 31 December 2020 (2019: HK$0.23 per share).

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 254 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 2020 are set out on page 255 of this Annual Report.

CHARITABLE DONATIONS

Charitable donation made by the Group for the year ended 31 December 2020 amounted to HK$8,326,000.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of the Company's principal subsidiaries, associates and joint ventures as at 31 December 2020 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 2020 are set out in note 26 to the financial statements.

BONDS PAYABLE

Particulars of bonds payable of the Group as at 31 December 2020 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 2020 as calculated under the Companies Ordinance amounted to HK$4,046,470,000 (2019: HK$3,883,720,000). The movement in the Company's reserves are set out in note 34 to the financial statements.

BORROWINGS AND INTEREST CAPITALISED

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

EQUITY-LINKED AGREEMENTS

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

CONNECTED TRANSACTIONS

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

1. On 21 April 2020, Everbright Green Belt And Road Investment Management Co., Ltd., a wholly-owned subsidiary of the Company, as the general partner (the "General Partner") and CEL Venture Capital (Shenzhen) Limited (the "CEL Limited Partner"), a wholly-owned subsidiary of the Company, China Everbright Group Ltd. ("CE Group") and Everbright Environmental Protection (China) Limited (the "CE Environment Limited Partner") as the limited partners entered into the limited partnership agreement (the "Limited Partnership Agreement") in relation to the formation of Everbright Belt And Road Green Equity Investment Fund, L.P. (the "Green Fund"). Pursuant to the Limited Partnership Agreement, the CEL Limited Partner, CE Group and the CE Environment Limited Partner each committed to contribute RMB500 million to the Green Fund.

   Pursuant to the terms under the Limited Partnership Agreement, if the Green Fund intends to transfer its stake in a Specified Investment (as hereinafter defined) to any third party, CE Environment Limited Partner is entitled to a right of first refusal to acquire the relevant sale shares under the same terms. For the purposes of this paragraph, "Specified Investment" means any investment projects involving waste-to-energy, kitchen waste and food waste treatment, waste sorting, leachate treatment, fly ash treatment, sludge treatment, methane-to-energy, the environmental water business involving wastewater treatment, reusable water projects, wastewater source heat pump, biomass business, hazardous waste treatment business, environmental remediation, solar energy and wind power business, environmental protection equipment manufacturing, environmental protection technology research and development, etc.

   CE Group, through its wholly-owned subsidiary China Everbright Holdings Company Limited ("CE Hong Kong"), was interested in approximately 49.74% of the total number of issued shares of the Company and was the controlling shareholder of the Company. The CE Environment Limited Partner, being a wholly-owned subsidiary of China Everbright Environment Group Limited (formerly known as China Everbright International Limited), was an associate of CE Group. Accordingly, CE Group and the CE Environment Limited Partner were connected persons of the Company and the entering into of the Limited Partnership Agreement and the formation of the Green Fund constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

   The entering into of the Limited Partnership Agreement and the formation of the Green Fund were subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

2. On 25 February 2016, Pioneer Act Investments Limited ("Pioneer Act"), a wholly-owned subsidiary of the Company, and Everbright Real Estate Limited (the "JV Partner") formed Profit Plus Global Limited (the "Joint Venture"), which was owned as to approximately 16.67% by Pioneer Act and 83.33% by the JV Partner, and entered into the shareholders' agreement (the "Shareholders' Agreement") with the Joint Venture in relation to, inter alia, the management of the affairs of the Joint Venture. Pursuant to the Shareholders' Agreement, each of Pioneer Act and the JV Partner agreed to provide shareholders' loans (the "Shareholders' Loans") in the amount of HK$1,000,000,000 and HK$5,000,000,000, respectively, to the Joint Venture, in proportion to their respective shareholding in the Joint Venture.

On 29 June 2020, Pioneer Act, the JV Partner and the Joint Venture entered into the supplemental agreement (the "Supplemental Agreement"), pursuant to which (i) the Joint Venture agreed to repay a portion of the outstanding balance of the Shareholders' Loans owed to Pioneer Act in the amount of HK$700,000,000, (ii) the JV Partner agreed to provide a further shareholders' loan (the "Additional Shareholders' Loan") to the Joint Venture in the amount of HK$700,000,000 for a maximum term of 18 months, and (iii) in consideration for the JV Partner's provision of the Additional Shareholders' Loan, Pioneer Act agreed to pay to the JV Partner the use of capital fee (the "Use of Capital Fee"), 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.

CE Hong Kong was interested in approximately 49.74% of the total number of issued shares of the Company and was a controlling shareholder of the Company. The JV Partner, being a wholly-owned subsidiary of CE Hong Kong, was an associate of CE Hong Kong. Accordingly, the JV Partner was a connected person of the Company under the Listing Rules and the entering into of the Supplemental Agreement and the payment of the Use of Capital Fee constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Supplemental Agreement and the payment of the Use of Capital Fee were subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

3 On 28 August 2020, the Company announced that it would apply to National Association of Financial Market Institutional Investors of the PRC for the registration and issuance of the medium term notes and the perpetual medium term notes in the aggregate principal amounts of not more than RMB15.6 billion and RMB5 billion respectively (the "Proposed Notes Issue"). On 28 August 2020, the Company, China Everbright Bank Company Limited ("Everbright Bank") and Everbright Securities Company Limited ("Everbright Securities") entered into the underwriting agreements (the "Underwriting Agreements"), pursuant to which the Company engaged Everbright Bank and Everbright Securities as the lead underwriters in respect of the Proposed Notes Issue. Under the Underwriting Agreements, in consideration of the performance of the underwriting services and other obligations pursuant to the Underwriting Agreements by the lead underwriters, the Company shall pay the lead underwriters the underwriting fee (inclusive of the sales commission), which shall equal to: (i) with respect to the medium term notes, the actual issued amount multiplied by the annual underwriting fee rate of 0.15% multiplied by the term of the Medium Term Notes; and (ii) with respect to the perpetual medium term notes, the actual issued amount multiplied by the annual underwriting fee rate of 0.15% multiplied by the term of the Perpetual Medium Term Notes (subject to the maximum term of five years); and the maximum aggregate amount of underwriting fee payable by the Company under the Underwriting Agreements shall not exceed RMB200 million.

CE Group, through its wholly-owned subsidiary CE Hong Kong, was interested in approximately 49.74% of the total number of issued shares of the Company and was a controlling shareholder of the Company. Each of Everbright Bank and Everbright Securities was an associate of CE Group. Accordingly, Everbright Bank and Everbright Securities were connected persons of the Company and the transactions contemplated under the Underwriting Agreements (including the payment of any underwriting fee(s)) constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

The entering into of the Underwriting Agreements was subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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

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

On 15 December 2017, 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 2020. The duration of the Framework Agreements commenced on 15 December 2017 and expired on 31 December 2020. CE Group, being the controlling shareholder of the Company, is a connected person of the Company under the Listing Rules and therefore entering into of the Framework Agreements by the Company and the transactions contemplated under the Framework Agreements constitute continuing connected transactions of the Company under the Listing Rules.

(1) Deposit Services

CE Group through its associate Everbright Bank, provides deposit services to the Group, including current and fixed term deposits. The deposit services are subject to the standard terms and conditions of CE Group and its associates. The annual caps for the transactions under the Deposit Services Framework Agreement for the three years ended 31 December 2018, 31 December 2019 and 31 December 2020 are all set at HK$1,400,000,000. During the year ended 31 December 2020, none of the daily aggregate bank balance maintained with Everbright Bank exceeded HK$1,400,000,000.

(2) Asset Management Services

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

Material terms:

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

The annual caps for the transactions under the Asset Management Services Framework Agreement for the three years ended 31 December 2018, 31 December 2019 and 31 December 2020 are all set at HK$360,000,000. The transaction amount under the Asset Management Services Framework Agreement for the year ended 31 December 2020 was approximately HK$881,000.

(3) Brokerage Services

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

Material terms:

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

- The brokerage services provided shall be on normal commercial terms which are arrived at upon arm's length negotiations and are no less favourable than those obtained by the Group from independent third parties, and on terms no less favourable than the most favourable terms offered by CE Group and its associates to similar or comparable independent third party customers.

- The brokerage services provided under the Brokerage Services Framework Agreement shall be non-exclusive and the Company is at liberty to obtain brokerage services from third parties.

The annual caps for the transactions under the Brokerage Services Framework Agreement for the three years ended 31 December 2018, 31 December 2019 and 31 December 2020 are all set at HK$28,000,000. The transaction amount under the Brokerage Services Framework Agreement for the year ended 31 December 2020 was approximately HK$23,987,000.

(4) Custodian Services

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

Material terms:

- CE Group and its associates shall provide to the Group custodian services including safekeeping of assets in custodian accounts, monitoring of investment activities, and reporting.

- The custodian services provided shall be on normal commercial terms which are arrived at upon arm's length negotiations and are no less favourable than those obtained by the Group from independent third parties, and on terms no less favourable than the most favourable terms offered by CE Group and its associates to similar or comparable independent third party customers.

- The custodian services provided under the Custodian Services Framework Agreement shall be non-exclusive and the Company is at liberty to obtain custodian services from third parties.

The annual caps for the transactions under the Custodian Services Framework Agreement for the three years ended 31 December 2018, 31 December 2019 and 31 December 2020 are all set at HK$28,000,000. The transaction amount under the Custodian Services Framework Agreement for the year ended 31 December 2020 was approximately HK$918,000.

(5) Tenancy agreement

On 22 November 2017, CEL Management Services Limited, a wholly-owned subsidiary of the Company, as the tenant, entered into a tenancy agreement (the "Tenancy Agreement") with Newepoch Group Limited, a wholly-owned subsidiary of CE Hong Kong, as the landlord, for leasing office premises situated on Rooms 4101, 4105 and 4106, 41st Floor of Far East Finance Centre, No. 16 Harcourt Road, Hong Kong, for a term of three years from 22 November 2017 to 21 November 2020 at a monthly rental of HK$779,786, exclusive of rates and management fees and other charges.

The annual caps for the Tenancy Agreement for the years ended 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020 are HK$252,000, HK$9,358,000, HK$8,578,000 and HK$7,547,000 respectively. The transaction amount under the Tenancy Agreement for the year ended 31 December 2020 was approximately HK$7,547,000.

(6) Technology services framework agreement

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

Material terms:

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

The annual caps for the Technology Services Framework Agreement for the three years ended/ending 31 December 2019, 31 December 2020 and 31 December 2021 are HK$100,000,000, HK$200,000,000 and HK$300,000,000 respectively. The transaction amount under the technology services framework agreement for the year ended 31 December 2020 was approximately HK$242,000.

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

The INEDs had reviewed the above continuing connected transactions for the year ended 31 December 2020 and confirmed that the transactions were:

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

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

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

The Company's 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 "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:

Dr. Zhao Wei
Mr. Zhang Mingao
Mr. Tang Chi Chun Richard
Mr. Yin Lianchen
Dr. Cai Yunge (resigned on 25 September 2020)

Independent Non-executive Directors:

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

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

According to Articles 120 and 121 of the Company's Articles of Association, 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 Company's Articles of Association, 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 Articles 120 and 121, Dr. Zhao Wei, Mr. Tang Chi Chun Richard 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 144 to 148 of this Annual Report, the names of persons who have served on the board of the subsidiaries of the Company during the financial year ended 31 December 2020 and up to the date of this Annual Report are available on the Company's website under "Investor Relations" columns.

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

As at 31 December 2020, 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 required to be maintained under section 352 of the SFO were as follows:

1. Long position in shares of the Company:

NAME OF DIRECTORS	TOTAL	PERSONAL INTEREST	OTHER INTEREST	% OF TOTAL ISSUED SHARES
Zhao Wei	417,134	–	417,134[1]	0.02%
Zhang Mingao	208,567	–	208,567[1]	0.01%
Tang Chi Chun Richard	927,567	719,000	208,567[1]	0.06%
Yin Lianchen	142,798	26,000	116,798[1]	0.01%
Chung Shui Ming Timpson	50,000	50,000	–	0.00%

Note:

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

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

NAME OF DIRECTOR	TOTAL	PERSONAL INTEREST	% OF TOTAL ISSUED SHARES
Tang Chi Chun Richard	200,000	200,000	0.03%

3. Long position in underlying shares of an associated corporation of the Company, namely CALC:

NAME OF DIRECTOR	TOTAL	PERSONAL INTEREST	% OF TOTAL ISSUED SHARES
Zhao Wei	10,000,000	10,000,000[1]	1.39%

Note:

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

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined under the SFO) as recorded in the register of directors' and chief executives' interests and short positions.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2020, the following persons were recorded in the register kept by the Company under section 336 of the SFO as having interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Position in Shares and Underlying Shares of the Company:

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

Notes:

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

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

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

Save as disclosed above, as at 31 December 2020, 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 of Association of the Company 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 2020. The terms of reference of the Audit and Risk Management Committee and a summary of the duties discharged in 2020 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 Group 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 2020 amounted to approximately HK$3,223,000.

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.

OTHER INFORMATION

Final Dividend

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

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

Closure of Register of Members

The register of members of the Company will be closed from Monday, 24 May 2021 to Thursday, 27 May 2021, both days inclusive, during which no transfer of shares will be registered. Shareholders are reminded that, in order to qualify for attendance of the annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration at the Company's Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 21 May 2021.

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

Annual General Meeting

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

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:

Mr. Law Cheuk Kin, Stephen, an INED, was appointed as an independent non-executive director of CSPC Pharmaceutical Group Limited (stock code: 1093.HK) with effect from 8 March 2021.

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

Auditors

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

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

By order of the Board
China Everbright Limited
Zhao Wei
Chairman
Hong Kong, 18 March 2021

DIRECTORS AND SENIOR *MANAGEMENT*

DIRECTOR

Dr. Zhao Wei

Chairman

Dr. Zhao Wei, aged 49, is the Chairman of the Board and an Executive Director. He is also the Chairman of the Executive Committee and a Member of the Strategy Committee of the Board and the Chairman of the Management Decision Committee of the Group. He is responsible for the overall operation of the Group. Dr. Zhao is also the Chairman and an Executive Director of China Aircraft Leasing Group Holdings Limited (stock code: 1848.HK). Prior to joining the Group, Dr. Zhao was the Vice President and the Chief Financial Officer of China Reinsurance (Group) Corporation (stock code: 1508.HK) and a Director of Asian Reinsurance Corporation. Dr. Zhao used to serve in China Life Insurance (Group) Company and China Life Asset Management Company Limited, and also used to serve as the General Manager of China Life Asset Management (Hong Kong) Corporation Limited, the President of China Life Franklin Asset Management Co., Limited and the Vice President of New China Asset Management Corporation Limited. He also used to be the Vice Chairman and the General Manager of China Re Asset Management Company Ltd., the Chairman of China Re Asset Management (Hong Kong) Company Limited and the Chairman of China ReCapital Management Company Limited. Dr. Zhao was the Chairman of Everbright Jiabao Co., Ltd. (stock code: 600622.SH) from July 2019 to May 2020. He also served as a Non-executive Director of China Everbright Bank Company Limited (stock code: 601818.SH, 6818.HK) from February 2015 to July 2019 and Beijing Jingneng Clean Energy Co., Limited (stock code: 579.HK) from December 2016 to January 2019. Dr. Zhao obtained a Master's degree in national economic planning and management from Jilin University and a Doctoral degree in finance from the Fiscal Science Research Institute of the Ministry of Finance (now known as Chinese Academy of Fiscal Sciences). He joined the Board in May 2019.

Mr. Zhang Mingao

President

Mr. Zhang Mingao, aged 53, is an Executive Director and the President of the Group. He is also a Member of the Executive Committee and the Strategy Committee of the Board and the Vice Chairman of the Management Decision Committee of the Group. Mr. Zhang is also the Chairman of Everbright Jiabao Co., Ltd. (stock code: 600622.SH) and a Non-executive and Non-independent Chairman of Ying Li International Real Estate Limited (stock code: 5DM.SGX). Mr. Zhang was the General Manager of Asset Management Department of China Everbright Bank Company Limited (stock code: 601818.SH, 6818.HK) ("Everbright Bank"). Since Mr. Zhang joined Everbright Bank in 1999, he had served as the Risk Director of Everbright Bank (Suzhou Branch), the Risk Director of SME Department of Everbright Bank (Headquarter) and the President of Everbright Bank (Wuxi Branch). Mr. Zhang holds a Bachelor of Economics degree 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. Tang Chi Chun Richard

Chief Financial Officer

Mr. Tang Chi Chun Richard, aged 59, is an Executive Director and the Chief Financial Officer of the Group. He is also a Member of the Executive Committee of the Board and a Member of the Management Decision Committee of the Group. He has overall responsibility for the financial resources planning, allocation, control and reporting, with the focus for efficient and effective implementation of the Group's strategic and operation goals. Mr. Tang is a Non-executive Director of China Aircraft Leasing Group Holdings Limited (stock code: 1848.HK). He is also a Non-executive and Non-independent Director of Ying Li International Real Estate Limited (stock code: 5DM.SGX). He was a Director of Everbright Securities Company Limited (stock code: 601788.SH, 6178.HK) from February 2008 to January 2011. Mr. Tang is a Certified Public Accountant and is a graduate of the Accountancy Department, Hong Kong Polytechnic (now known as Hong Kong Polytechnic University). He is a Member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a Founding Member of Hong Kong Business Accountants Association. He has over 30 years of experience in audit, investment, accounting and finance. Since 1990, Mr. Tang had been engaged as head of the financial and operational functions of various international financial institutions. He joined the Group in September 2005 and joined the Board in July 2007.

Mr. Yin Lianchen

Chief Investment Officer

Mr. Yin Lianchen, aged 55, is an Executive Director and the Chief Investment Officer of the Group. He is also a Member of the Executive Committee and the Strategy Committee of the Board and a Member of the Management Decision Committee of the Group. Mr. Yin is also a Director of Everbright Securities Company Limited (stock code: 601788.SH, 6178.HK) and a Supervisor of China Everbright Bank Company Limited (stock code: 601818.SH, 6818.HK). He was the Division Chief in the Executive Office of China Everbright (Group) Corporation prior to joining our Group. Mr. Yin was formerly the Vice President of Beijing Yonder Environment Engineering Company Limited and the Chief Representative of China of Moody's KMV. He served as the General Manager of the Human Resources and Corporate Administration Department, the General Manager of Corporate Communications Department and the Managing Director of the Insurance Brokerage Department of the Group successively from 2002 to 2006. He also worked in several key positions in People's Bank of China Headquarter from 1990 to 2001. Mr. Yin holds a Bachelor's degree in Economic Management Professional and a Master's degree in Western Financial Accounting from Tianjin Nankai University. Mr. Yin has rich experience in financial and corporate management. He joined the Board in June 2017.

Dr. Lin Zhijun

Independent Non-executive Director

Dr. Lin Zhijun, aged 66, 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 the Vice President of Macau University of Science and Technology. During August 1998 to December 2014, he was a Professor and Head of the Department of Accountancy and Law in Hong Kong Baptist University. He is also an Independent Non-executive Director of Sinotruk (Hong Kong) Limited (stock code: 3808.HK), Dali Foods Group Company Limited (stock code: 3799.HK), CITIC Dameng Holdings Limited (stock code: 1091.HK) and BOCOM International Holdings Company Limited (stock code: 3329.HK), all of which are listed on The Stock Exchange of Hong Kong Limited. Dr. Lin was an Independent Non-Executive Director of SpringLand International Limited (stock code: 1700.HK) from February 2008 to March 2020. Dr. Lin holds a Master's degree in 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") in 1982-1983. 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 69, is an Independent Non-executive Director and the Chairman of the Audit and Risk Management Committee of the Board. He is also a Member of the Nomination Committee, the Remuneration Committee and the Strategy Committee of the Board. Dr. Chung is a Member of the National Committee of the 13th Chinese People's Political Consultative Conference. He is also the Pro-Chancellor of City University of Hong Kong. Besides, Dr. Chung is an Independent Non-Executive Director of China Unicom (Hong Kong) Limited (stock code: 762.HK), Glorious Sun Enterprises Limited (stock code: 393.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) and Jinmao (China) Hotel Investments and Management Limited (stock code: 6139.HK) as well as an Independent Director of China State Construction Engineering Corporation Limited (stock code: 601668.SH). Previously, Dr. Chung was the Chairman of China Business of Jardine Fleming Holdings Limited and the Deputy Chief Executive Officer of BOC International Limited. He was also the Director-General of Democratic Alliance for the Betterment and Progress of Hong Kong, the Chairman of the Council of City University of Hong Kong, the Chairman of the Hong Kong Housing Society, a Member of the Executive Council of the Hong Kong Special Administrative Region, the Vice Chairman of the Land Fund Advisory Committee of the Hong Kong Special Administrative Region, a Member of the Managing Board of the Kowloon-Canton Railway Corporation, a Member of the Hong Kong Housing Authority and a Member of the Disaster Relief Fund Advisory Committee. Dr. Chung holds a Bachelor of Science degree from The University of Hong Kong and a Master's degree in Business Administration from The Chinese University of Hong Kong. He also received an Honorary Doctoral degree in Social Sciences from City University of Hong Kong in 2010. Dr. Chung is a Fellow Member of the Hong Kong Institute of Certified Public Accountants. He joined the Board in August 2012.

Mr. Law Cheuk Kin Stephen

Independent Non-executive Director

Mr. Law Cheuk Kin Stephen, aged 58, 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 and the Remuneration Committee of the Board. Mr. Law is Independent Non-executive Director of Somerley Capital Holdings Limited (stock code: 8439.HK), Bank of Guizhou Co., Ltd. (stock code: 6199.HK), China Galaxy Securities Co., Ltd. (stock code: 601881.SH, 6881.HK) and CSPC Pharmaceutical Group Limited (stock code: 1093.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 previously a Non-executive Director of China NT Pharma Group Company Limited (stock code: 1011.HK) and an Alternate Director in MIE Holdings Corporation (stock code: 1555.HK) until September 2012, and was an Independent Non-executive Director of AAG Energy Holdings Limited (stock code: 2686.HK) from July 2016 to September 2018. He was also an Independent Non-Executive Director of Stealth BioTherapeutics Corp. (stock code: MITO.Nasdaq), which has been listed on Nasdaq since February 2019, until July 2019. Mr. Law is currently the Managing Director of ANS Capital Limited. He is also currently a member of the Board of Directors of SOW (Asia) Foundation,and a council member of Hong Kong Business Accountants Association. He was a council member of the Hong Kong Institute of Certified Public Accountants from 2010 to 2017 and 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

Mr. Tsang Sui Cheong Frederick

Mr. Tsang Sui Cheong Frederick, aged 61, is the Chief Risk Officer and a Member of the Management Decision Committee of the Group. He is in charge of the Group's risk matters. He is also a Non-executive Director of Kinergy Corporation Ltd. (stock code: 3302.HK) and a Supervisor of Everbright Jiabao Co., Ltd. (stock code: 600622.SH). Mr. Tsang is a Chartered Financial Analyst and was President of The Hong Kong Society of Financial Analysts Limited from 2013 to 2016. He has been appointed as a Member of the Process Review Panel of the Financial Reporting Council of Hong Kong for a term from January 2021 to December 2022. Since November 2016, Mr. Tsang has been appointed by Financial Services and the Treasury Bureau as a Member of the Process Review Panel for the Securities and Futures Commission of Hong Kong (the "SFC"). The appointment has been extended to October 2022. He served as a Member of the Advisory Committee of the SFC from 2011 to 2017. Mr. Tsang was also a Member of The Securities and Futures Appeals Tribunal from 2009 to 2015. He holds a Bachelor's degree in Arts and a Master's degree in Arts, majoring in Economics and Finance. Mr. Tsang joined the Group in February 2000, and has over 36 years of experience in the financial industry.

Ms. Wong Tung Hung

Ms. Wong Tung Hung, aged 52, is the Chief Administration Officer and a Member of Management Decision Committee of the Group, mainly responsible for management of human resources and corporate administration 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 23 years. She holds a Bachelor's degree in Arts from Fudan University. Prior to joining the Group, Ms. Wong worked in several well-known mass media organizations in both China and Hong Kong.

Mr. So Hiu Pang Kevin

Mr. So Hiu Pang Kevin, aged 45, is the Chief Strategy Officer and a Member of the Management Decision Committee of the Group. He is responsible for corporate strategies, external publicity, corporate branding and investor relations of the Group. 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.

COMPANY SECRETARY

Mr. Chan Ming Kin Desmond

Mr. Chan Ming Kin Desmond, aged 51, is the General Counsel and Company Secretary of the Group. He is in charge of Legal, Compliance and Company Secretarial Department of the Group. He is also a Member of the Board of Directors of Everbright Securities Company Limited (stock code: 601788.SH, 6178.HK). Mr. Chan holds a Bachelor of Laws degree and a Postgraduate Certificate in Laws of The University of Hong Kong. He also holds a Master of Corporate Governance degree of the Hong Kong Polytechnic University. As a qualified solicitor in Hong Kong, Mr. Chan has more than 25 years' experience in private practice and as an in-house counsel. Mr. Chan is also a Fellow of the Chartered Governance Institute and the Hong Kong Institute of Chartered Secretaries.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of China Everbright Limited (the "Company") and its subsidiaries (the "Group") set out on pages 155 to 253, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (continued)

Key audit matter *Valuation of Level 3 financial investments*	How our audit addressed the key audit matter
Refer to significant accounting policies in note 2(ac), accounting estimates and judgements in note 43(a)(i), and disclosures of fair values of financial instruments in note 40 to the financial statements. The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, which include significant unobservable inputs, involve management making subjective judgements and assumptions. With different valuation techniques, inputs and assumptions applied, the valuation results can vary significantly. As at 31 December 2020, the Group's financial assets measured at fair value, categorised within Level 3 of the fair value hierarchy, amounted to HK$40,869,046,000. Given the level of judgement and assumptions involved in the valuations, we determined this to be a key audit matter.	The procedures we performed, on a sample basis, with the assistance of our inhouse valuation specialists, to address the key audit matter included, but were not limited to: – Evaluated the appropriateness of the financial instrument valuation policies; – Evaluated the design and tested the operating effectiveness of key controls related to the valuation of financial instruments, including independent price verification, independent model validation and approval; – Evaluated the valuation techniques adopted through comparison with those commonly used in the market; – Evaluated assessments made by the Group, with respect to the selection of comparable companies, adjustments to the valuation multiples and other parameters used in other valuation methods through independent study, research and back-testing; – Evaluated the observable inputs with reference to external market data; – Evaluated the unobservable inputs and assumptions for individually significant items such as the discount rate and volatility adopted by comparing to pricing information from similar transactions which were observable and performed an independent valuation; and – Assessed the completeness and adequacy of the disclosures relating to financial instruments in Level 3 of the fair value hierarchy in note 40 to the financial statements against the requirements of HKFRSs.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Accounting for unconsolidated structured entities managed by the Group	
Refer to significant accounting policies in note 2(c), critical accounting judgements in applying the Group's accounting policies in note 43(b)(i), and disclosures of involvement with unconsolidated structured entities in note 38 to the financial statements. The Group acts as the general partner or investment manager of several structured entities (such as investment funds and collective investment schemes). In these arrangements the Group has certain powers to govern the financing and operating policies of these entities. The Group is also exposed to the variability of returns from these structured entities' performance, through its entitlement to the management fees, performance fees and also its interests in these entities. Whether the Group has control over these structured entities requires significant management judgement. Given the level of judgement involved in assessing the Group's control over these structured entities, we determined this to be a key audit matter. As at 31 December 2020, the carrying value of the Group's interests in unconsolidated structured entities managed by the Group amounted to HK$11,765,066,000 which is recorded in financial assets at fair value through profit or loss in the consolidated statement of financial position.	The procedures we performed to address the key audit matter included, but were not limited to: – Reviewed the legal structures and read the relevant constituent documents of these structured entities to assess the power held by the Group in making key operating and financing decisions and its exposure to variable returns from these structured entities; – Evaluated the power held by other parties which allow the removal of the Group as the general partner or investment manager and assessed whether the rights held by other parties are substantive; – Identified if any substantive rights held by any other parties in the structured entities, in combination with the Group's decision-making power and its level of exposure to the variable returns, constituted control by the Group over these structured entities on a case by case basis; and – Assessed the adequacy of the Group's disclosures of the unconsolidated structured entities in note 38 to the financial statements against the requirement of HKFRSs.

KEY AUDIT MATTERS (continued)

Key audit matter *Impairment of investments in associates*	How our audit addressed the key audit matter
Refer to significant accounting policies in notes 2(d), 2(e) and 2(l)(ii), critical accounting judgements in applying the Group's accounting policies in note 43(b)(iii), and disclosures of investments in associates in note 16 to the financial statements. As at 31 December 2020, the Group's carrying value of its investment in Everbright Jiabao Co., Ltd ("Jiabao Group"), an associate of the Group, amounted to HK$4,069,036,000. As at 31 December 2020, there was an indication that the investment in Jiabao Group may be impaired as the carrying value of the net assets of Jiabao Group was more than its market capitalisation. The Group engaged an external specialist to estimate its value-in-use, using a discounted cash flow model with a forecast compiled by management. In carrying out the impairment assessment, significant judgement and assumptions are required to estimate the value-in-use based on the forecasted future cash flows of the business of Jiabao Group. Management has assessed and concluded that there was an impairment of HK$178,000,000 in respect of its investment in Jiabao Group as at 31 December 2020. Given the level of judgement and assumptions involved in calculating the value-in-use of Jiabao Group, we determined that the impairment assessment of investments in associates is a key audit matter.	The procedures we performed, with the assistance of our inhouse valuation specialists, to address the key audit matter included, but were not limited to: – Assessed the competence, capabilities and objectivity of the external specialist appointed by management; – Understood and challenged the assumptions in the strategic business plans approved by the management of the associate which were used in the value-in-use calculations; – Checked the arithmetical accuracy of the value-in-use calculations; – 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; and – Back-tested the assumptions used in the prior year model against actual results.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism 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 Wong Shu Hing.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

18 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Turnover	4	22,682,402	12,617,142
Income from contracts with customers	4	540,419	611,778
Income from investments	4	4,337,695	3,724,311
Income from other sources	4	108,143	270,254
Impairment losses	5	(193,000)	(238,990)
Operating expenses	6	(1,132,230)	(1,351,798)
Profit from operations		3,661,027	3,015,555
Finance costs	7	(1,062,091)	(1,164,915)
Share of profits less losses of associates	16	563,020	823,454
Share of profits less losses of joint ventures	17	43,300	88,713
Profit before taxation		3,205,256	2,762,807
Income tax	9	(948,118)	(551,037)
Profit for the year		2,257,138	2,211,770
Attributable to:			
Equity shareholders of the Company		2,264,175	2,237,166
Holders of senior perpetual capital securities	32	15,736	–
Non-controlling interests		(22,773)	(25,396)
Profit for the year		2,257,138	2,211,770
Basic and diluted earnings per share	13	HK$1.344	HK$1.327

The notes on pages 161 to 253 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Profit for the year		2,257,138	2,211,770
Other comprehensive income for the year:			
Items that will not be reclassified subsequently to profit or loss			
– Net movement in investment revaluation reserve of equity investments designated at fair value through other comprehensive income		(286,780)	1,180,982
Items that may be reclassified subsequently to profit or loss			
– Share of other comprehensive income and effect of foreign currency translation of associates		893,234	(379,565)
– Share of other comprehensive income and effect of foreign currency translation of joint ventures		69,506	(14,288)
– Other net movement in exchange reserve		986,068	(236,874)
	12	1,662,028	550,255
Total comprehensive income for the year		3,919,166	2,762,025
Attributable to:			
Equity shareholders of the Company		4,009,362	2,764,470
Holders of senior perpetual capital securities	32	15,736	–
Non-controlling interests		(105,932)	(2,445)
Total comprehensive income for the year		3,919,166	2,762,025

The notes on pages 161 to 253 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	31 December 2020 HK$'000	31 December 2019 HK$'000
Non-current assets			
Property, plant and equipment	14	599,783	624,120
Investment properties	14	5,547,897	5,190,773
Investments in associates	16	19,235,318	18,727,491
Investments in joint ventures	17	1,045,747	1,052,931
Equity investments designated at fair value through other comprehensive income	18	7,455,961	7,742,741
Financial assets at fair value through profit or loss	19	40,869,046	32,495,404
Advances to customers	20	34,297	983,281
Finance lease receivables		59,408	55,818
		74,847,457	66,872,559
Current assets			
Inventories	21	1,733,681	1,851,827
Financial assets at fair value through profit or loss	19	3,064,010	3,953,959
Advances to customers	20	2,140,516	1,942,258
Amount due from an associate	16	–	253,704
Debtors, deposits and prepayments	22	2,712,276	2,104,866
Trading securities	23	3,177,475	2,251,727
Cash and cash equivalents	24	9,299,385	7,265,583
		22,127,343	19,623,924
Current liabilities			
Trading securities	23	(666,014)	(283,150)
Creditors, deposits received and accrued charges	25	(3,385,568)	(3,147,425)
Bank loans	26	(9,493,274)	(9,577,956)
Bonds payable	28	(4,946,410)	(3,545,240)
Other financial liabilities	27	(736,440)	(98,320)
Notes payable		–	(57,000)
Lease liabilities	30	(32,027)	(46,266)
Provision for taxation		(926,832)	(863,137)
		(20,186,565)	(17,618,494)
Net current assets		1,940,778	2,005,430
Total assets less current liabilities		76,788,235	68,877,989

	Note	31 December 2020 HK$'000	31 December 2019 HK$'000
Non-current liabilities			
Bank loans	26	(9,415,374)	(9,407,892)
Bonds payable	28	(7,723,040)	(8,372,625)
Other financial liabilities	27	(7,448,750)	(4,909,113)
Notes payable		(27,000)	–
Lease liabilities	30	(73,802)	(85,533)
Deferred tax liabilities	29	(2,667,288)	(2,315,456)
		(27,355,254)	(25,090,619)
NET ASSETS		49,432,981	43,787,370
CAPITAL AND RESERVES			
Share capital	31	9,618,097	9,618,097
Reserves		35,818,920	31,973,228
Total equity attributable to equity shareholders of the Company		45,437,017	41,591,325
Senior perpetual capital securities	32	2,341,276	–
Non-controlling interests		1,654,688	2,196,045
TOTAL EQUITY		49,432,981	43,787,370

Approved and authorised for issue by the Board of Directors on 18 March 2021 and signed on behalf of the Board by:

Zhao Wei
Director

Tang Chi Chun, Richard
Director

The notes on pages 161 to 253 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

		Attributable to equity shareholders of the Company										
	Note	Share capital HK$'000	Option premium reserve HK$'000	Investment revaluation reserve HK$'000	Goodwill reserve HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Senior perpetual capital securities HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2019		9,618,097	1,242	5,154,570	(668,499)	(621,278)	(285,248)	26,659,778	39,858,662	–	1,521,535	41,380,197
Net movement by non-controlling shareholders		–	–	–	–	90,179	–	–	90,179	–	(711,608)	(621,429)
Dividends paid	11	–	–	–	–	–	–	(1,095,414)	(1,095,414)	–	–	(1,095,414)
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	–	1,388,563	1,388,563
Share of capital reserve of an associate		–	–	–	–	(26,572)	–	–	(26,572)	–	–	(26,572)
Profit for the year		–	–	–	–	–	–	2,237,166	2,237,166	–	(25,396)	2,211,770
Other comprehensive income for the year		–	–	1,180,982	–	–	(653,678)	–	527,304	–	22,951	550,255
As at 31 December 2019 and as at 1 January 2020		9,618,097	1,242	6,335,552	(668,499)	(557,671)	(938,926)	27,801,530	41,591,325	–	2,196,045	43,787,370
Net movement by non-controlling shareholders		–	–	–	2,090	230,104	–	–	232,194	–	(435,425)	(203,231)
Dividends paid	11	–	–	–	–	–	–	(623,544)	(623,544)	–	–	(623,544)
Issuance of senior perpetual capital securities	32	–	–	–	–	–	–	–	–	2,325,540	–	2,325,540
Share of capital reserve of an associate		–	–	–	–	227,680	–	–	227,680	–	–	227,680
Profit for the year		–	–	–	–	–	–	2,264,175	2,264,175	15,736	(22,773)	2,257,138
Other comprehensive income for the year		–	–	(286,780)	–	–	2,031,967	–	1,745,187	–	(83,159)	1,662,028
As at 31 December 2020		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

The notes on pages 161 to 253 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000 (restated)
NET CASH INFLOW FROM OPERATING ACTIVITIES	41(a)	63,107	1,189,754
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(17,578)	(8,411)
Proceeds from disposal of investment properties		19,045	18,400
Proceeds from disposal of property, plant and equipment		594	152
Net cash inflow from losing control of subsidiaries		15,142	27,550
Net cash outflow from deemed disposal of a subsidiary		–	(51,474)
Net cash from acquisition of a subsidiary		–	25,155
Investments in associates		–	(94,876)
Repayment of loans from an associate		700,000	–
Proceeds from partial disposal of an associate		506,431	–
Divestments in joint ventures		34,243	86,517
Increase in restricted cash		(16,431)	(422,817)
Bank interest received		91,782	129,670
Dividends received from investments		365,877	295,173
Dividends received from associates and joint ventures		133,518	420,886
NET CASH INFLOW FROM INVESTING ACTIVITIES		1,832,623	425,925
NET CASH INFLOW BEFORE FINANCING ACTIVITIES		1,895,730	1,615,679
FINANCING ACTIVITIES			
Issue of shares in subsidiaries to non-controlling shareholders		171,070	73,573
Redemption of non-controlling shareholders' shares		(283,459)	(586,420)
Proceeds from bank loans		31,042,977	13,055,198
Proceeds from issue of bonds payable		–	196,190
Proceeds from issue of senior perpetual capital securities		2,325,540	–
Repayment of bank loans		(31,309,021)	(11,914,637)
Repayment of lease liabilities		(52,978)	(60,780)
Repayment of note payable		(30,000)	–
Dividends paid to non-controlling shareholders		(89,318)	(70,029)
Dividends paid		(623,544)	(1,095,414)
Interest paid		(1,073,356)	(1,132,855)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		77,911	(1,535,174)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,973,641	80,505
CASH AND CASH EQUIVALENTS			
Beginning of year		6,842,766	6,863,902
Exchange rate adjustments		43,730	(101,641)
End of year		8,860,137	6,842,766
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash – general accounts		9,299,385	7,265,583
Restricted cash		(439,248)	(422,817)
End of year	24	8,860,137	6,842,766

The notes on pages 161 to 253 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 collective term includes 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 disclosure requirements of 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 2020 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

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)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Equity investments designated at fair value through other comprehensive income

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as Dividend income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as dividend income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably. Interest income arising from the financial assets at fair value through profit or loss is recognised as net gains or net losses in the statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

– the rights to receive cash flows from the asset have expired; or

– the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value at the end of the reporting period, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at the time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(u).

(i) Other property and equipment

The following items of property and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(l)):

– buildings held for own use which are situated on leasehold land, where the fair value could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(k)); and

– other items of equipment comprising leasehold improvements, furniture, fixtures and equipment, and motor vehicles.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Depreciation

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Interests in leasehold land held for own use under operating leases is depreciated over the unexpired terms of leases
- Buildings situated on leasehold land are depreciated over the shorter of the unexpired terms of leases and their estimated useful lives, being not more than 50 years after the date of purchase

– Leasehold improvements	5 years
– Furniture, fixtures and equipment	3 to 20 years
– Motor vehicles	5 years
– Right-of-use assets	over the shorter of the lease terms and the estimated useful lives

Where parts of an item of property and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) Leased assets

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased assets (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office premises. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments, including the initial direct costs, and presented as a receivable at an amount equal to the net investment in the lease.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets

(i) Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

General approach

For other financial assets recognised at amortised cost, ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. Depending on the nature of the financial instrument, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instrument is grouped based on similar credit risk characteristics. When making the assessment, the Group compares the risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(i) Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment, including right-of-use assets (other than properties carried at revalued amount);
- Intangible assets;
- Investments in subsidiaries, associates and joint ventures in the Company's statement of financial position; and
- Goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(m) Accounts receivable and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(v)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(l)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial liabilities

(i) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

(ii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Inventories

Inventories are stated at specifically identified cost, including capitalised borrowing costs directly attributable to the development of the properties, exchange differences arising from foreign currency borrowings are capitalised to the extent that they are regarded as an adjustment to interest costs, aggregate cost of development, materials and supplies, wages and other direct expenses, less any allowance considered necessary by the directors.

Inventories are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. For cash subject to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

(q) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Senior perpetual capital securities issued by the Company contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable 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 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 alternative use for the Group due to contractual restriction and the Group does not have enforceable right to payment for performance completed to date. Accordingly, revenue is recognised only when the legal title passes to the buyer or when the equitable interest in the property vests with the buyer upon signing of the property handover notice by the buyer, whichever is earlier.

Revenue is measured at the transaction price agreed under the contract. Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in the which the circumstances that give rise to the revision become known by management.

Provision of consultancy and management services

Revenue from the provision of consultancy and management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition (continued)

Revenue 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 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 *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") and the following revised HKFRSs for the first time for the current year's financial statements. In addition to the changes in accounting policies due to the Conceptual Framework and amendments to HKFRSs, the Group changed the presentation of certain items in the statement of cash flows for the current year, as detailed in note 41(e).

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

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

(a) The Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

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.

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

	2020 HK$'000	2019 HK$'000
Income from contracts with customers		
Recognised over time		
Management fee income	295,568	371,284
Net rental income from investment properties	148,531	146,658
Recognised at a point of time		
Consultancy fee and performance fee income	120,527	72,551
Sales of inventories	76,038	132,867
Cost of sales	(100,245)	(111,582)
	540,419	611,778
Income from investments		
Interest income		
Financial assets not at fair value through profit or loss		
Bank deposits	91,782	129,670
Advances to customers	261,341	212,711
Debt investments	82,529	70,186
Dividend income		
Financial assets at fair value through profit or loss and trading securities	391,569	526,894
Equity investments designated at fair value through other comprehensive income	365,877	295,173
Realised gain on investments		
Net realised gain on financial assets at fair value through profit or loss	1,805,699	1,235,383
Net realised gain on trading securities	207,263	134,613
Unrealised gain on investments		
Change of unrealised gain on financial assets at fair value through profit or loss	702,631	225,589
Change of unrealised gain on trading securities	120,679	57,380
Others		
Realised gain on partial disposal of an associate	251,189	–
Gain on disposal of subsidiaries (note 41(c))	57,136	23,125
Gain on deemed disposal of an investment in a subsidiary (note 41(b))	–	194,229
Gain on bargain purchase	–	619,358
	4,337,695	3,724,311
Income from other sources		
Net (deficit)/surplus on revaluation of investment properties	(23,675)	122,463
Rental income from finance leases	6,450	6,214
Gain on disposal of investment properties	7,175	1,800
Gain on disposal of property, plant and equipment	140	6
Exchange loss, net	(5,318)	(20,838)
Others	123,371	160,609
	108,143	270,254

5. IMPAIRMENT LOSSES

	2020 HK$'000	2019 HK$'000
Impairment losses on:		
– Investment in an associate (note 16(a))	178,000	–
– Advances to customers	15,000	222,745
– Debtors, deposits and prepayments	–	16,245
	193,000	238,990

6. OPERATING EXPENSES

	2020 HK$'000	2019 HK$'000
Depreciation and amortisation expenses	80,989	85,193
Lease payments not included in the measurement of lease liabilities	4,082	10,160
Auditor's remuneration	15,680	16,115
Management fee, consultancy fee, advisor fee and performance fee	210,503	180,613
Office expenses	43,101	46,257
Bank charges	31,980	26,833
Employee expenses (wages, bonuses and allowances)	377,771	549,890
Employee expenses (wages, bonuses and allowances) for a disposal group (note 41(b))	–	93,764
Legal and professional fee	107,800	95,436
Other operating expenses	260,324	247,537
	1,132,230	1,351,798

7. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank loans and other borrowings	1,062,091	1,164,915

The effective interest rate of bank loans and other borrowings was approximately 3.32% (2019: 3.75%) per annum during the year ended 31 December 2020.

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 2020

	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	2020 Total HK$'000
Executive directors					
Cai Yunge (note 1)	–	–	–	–	–
Zhao Wei	–	3,480	2,299	4	5,783
Zhang Mingao	–	2,052	2,099	81	4,232
Tang Chi Chun, Richard	–	2,450	2,341	18	4,809
Yin Lianchen	–	2,098	1,591	4	3,693
Independent non-executive directors					
Chung Shui Ming, Timpson	200	352	–	–	552
Lin Zhijun	200	324	–	–	524
Law Cheuk Kin, Stephen	200	324	–	–	524
	600	11,080	8,330	107	20,117

Note:

1. Dr. Cai Yunge resigned as an Executive Director with effect from 25 September 2020.
2. The discretionary bonus to the directors of the Group amount to HK$8,330,000, of which HK$772,000 is derived from an associate.

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

(a) Directors' emoluments: (continued)

For the year ended 31 December 2019

	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	2019 Total HK$'000
Executive directors					
Cai Yunge	–	–	–	–	–
Zhao Wei (note 1)	–	2,298	3,551	9	5,858
Chen Shuang (note 2)	–	1,487	3,115	168	4,770
Tang Chi Chun, Richard	–	2,460	4,353	18	6,831
Zhang Mingao	–	2,059	3,694	–	5,753
Yin Lianchen	–	1,975	3,315	56	5,346
Independent non-executive directors					
Chung Shui Ming, Timpson	200	373	–	–	573
Lin Zhijun	200	345	–	–	545
Law Cheuk Kin, Stephen	200	345	–	–	545
	600	11,342	18,028	251	30,221

Notes:

1. Dr. Zhao Wei was appointed as an Executive Director and the Chief Executive Officer of the Company with effect from 3 May 2019.
2. Mr. Chen Shuang resigned as an Executive Director and the Chief Executive Officer of the Company with effect from 3 May 2019.
3. The discretionary bonuses to the directors of the Group amounted to HK$18,028,000, of which HK$3,501,000 is derived from an associate.

8. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(continued)

(b) Five highest paid individuals' emoluments

	2020 HK$'000	2019 HK$'000
Salaries and other emoluments	12,067	17,758
Bonuses	11,085	57,271
Retirement scheme contributions	306	112
	23,458	75,141

	2020	2019
Number of directors	3	–
Number of employees	2	5
	5	5

Their emoluments were within the following bands:

	Number of individuals	
	2020	2019
HK$4,000,001 to HK$4,500,000	2	–
HK$4,500,001 to HK$5,000,000	2	–
HK$5,500,001 to HK$6,000,000	1	–
HK$7,500,001 to HK$8,000,000	–	1
HK$8,500,001 to HK$9,000,000	–	1
HK$10,500,001 to HK$11,000,000	–	1
HK$15,000,001 to HK$15,500,000	–	1
HK$33,000,001 to HK$33,500,000	–	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 (2019: Nil).

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

9. INCOME TAX

The provision for Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is calculated at the appropriate current rates of taxation in the relevant jurisdictions.

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

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

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

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

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

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

11. DIVIDENDS

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

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

The Board proposed a final dividend of HK$0.35 per share for the year ended 31 December 2020 (2019: HK$0.23 per share). The proposed final dividend is not reflected as dividend payable in the financial statements.

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

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

12. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2020			2019		
	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	(286,780)	–	(286,780)	1,180,982	–	1,180,982
Share of other comprehensive income and effect of foreign currency translation of associates	893,234	–	893,234	(379,565)	–	(379,565)
Share of other comprehensive income and effect of foreign currency translation of joint ventures	69,506	–	69,506	(14,288)	–	(14,288)
Other net movement in exchange reserve	986,068	–	986,068	(236,874)	–	(236,874)
	1,662,028	–	1,662,028	550,255	–	550,255

13. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the year ended 31 December 2020 is based on the profit attributable to equity shareholders of the Company of HK$2,264,175,000 (2019: HK$2,237,166,000) and the weighted average number of 1,685,253,712 shares (2019: 1,685,253,712 shares) in issue during the year.

14. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

	Interests in leasehold land held for own use under operating leases HK$'000	Buildings held for own use carried at cost HK$'000	Leasehold improvements HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Other properties leased for own use HK$'000	Total HK$'000	Investment properties HK$'000
Cost or valuation:							
As at 1 January 2019	485,934	61,854	34,882	80,978	634,299	1,297,947	446,306
Additions	–	–	341	8,759	31,897	40,997	48,206
Acquisition	–	–	60,738	4,546	–	65,284	4,780,905
Disposals	–	–	(326)	(2,613)	(490,542)	(493,481)	(16,600)
Surplus on revaluation	–	–	–	–	–	–	122,463
Exchange adjustments	(2,363)	–	(3,181)	(1,572)	(2,011)	(9,127)	(190,507)
As at 31 December 2019	483,571	61,854	92,454	90,098	173,643	901,620	5,190,773
Representing:							
Cost	483,571	61,854	92,454	90,098	173,643	901,620	–
Professional valuation	–	–	–	–	–	–	5,190,773
	483,571	61,854	92,454	90,098	173,643	901,620	5,190,773
As at 1 January 2020	483,571	61,854	92,454	90,098	173,643	901,620	5,190,773
Additions	–	–	6,923	8,495	18,473	33,891	72,043
Disposals	–	–	–	(8,958)	(6,891)	(15,849)	(11,870)
Deficit on revaluation	–	–	–	–	–	–	(23,675)
Exchange adjustments	15,143	–	360	1,417	6,735	23,655	320,626
As at 31 December 2020	498,714	61,854	99,737	91,052	191,960	943,317	5,547,897
Representing:							
Cost	498,714	61,854	99,737	91,052	191,960	943,317	–
Professional valuation	–	–	–	–	–	–	5,547,897
	498,714	61,854	99,737	91,052	191,960	943,317	5,547,897

14. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (continued)

(a) Reconciliation of carrying amount (continued)

	Interests in leasehold land held for own use under operating leases HK$'000	Buildings held for own use carried at cost HK$'000	Leasehold improvements HK$'000	Furniture, fixtures, equipment and motor vehicles HK$'000	Other properties leased for own use HK$'000	Total HK$'000	Investment properties HK$'000
Accumulated depreciation:							
As at 1 January 2019	106,560	17,236	25,068	66,351	–	215,215	–
Charge for the year	8,876	580	3,596	5,946	66,195	85,193	–
Written back on disposal	–	–	(180)	(2,130)	(21,876)	(24,186)	–
Exchange adjustments	(1,723)	850	2,667	(266)	(250)	1,278	–
As at 31 December 2019	113,713	18,666	31,151	69,901	44,069	277,500	–
As at 1 January 2020	113,713	18,666	31,151	69,901	44,069	277,500	–
Charge for the year	7,753	580	6,230	16,017	50,409	80,989	–
Written back on disposal	–	–	–	(8,504)	(6,072)	(14,576)	–
Exchange adjustments	5,804	851	(1,855)	(8,098)	2,919	(379)	–
As at 31 December 2020	127,270	20,097	35,526	69,316	91,325	343,534	–
Net book value:							
As at 31 December 2020	371,444	41,757	64,211	21,736	100,635	599,783	5,547,897
As at 31 December 2019	369,858	43,188	61,303	20,197	129,574	624,120	5,190,773

(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 2020 by RHL Appraisal Limited, Cushman & Wakefield and Colliers International (Hong Kong) Limited, independent professional valuers who have, among their staff fellows of the Hong Kong Institute of Surveyors, 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 2020, 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$1,103,826,000 (2019: HK$1,338,669,000). 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 the PRC 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$4,863,529,000 (2019: HK$4,646,203,000) of the Group are rented out under operating leases; HK$356,975,000 (2019: HK$527,810,000) are under construction and will be rented out upon completion of construction.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

During the year ended 31 December 2020, the Group did not acquire any assets through business combination.

During the year ended 31 December 2019, the Group acquired assets with a fair value of HK$4,846,189,000 through a business combination (Note 15(a)).

(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	2020 HK$'000	2019 HK$'000
Interests in leasehold land held for own use, carried at depreciated cost in Hong Kong, with remaining lease term of:	(i)		
– 50 years or more		238,026	240,200
		238,026	240,200
Interests in leasehold land held for own use, carried at depreciated cost outside Hong Kong, with remaining lease term of:	(i)		
– between 10 and 50 years		133,418	129,658
		133,418	129,658
Other properties leased for own use, carried at depreciated cost		100,635	129,574
		100,635	129,574
Interests in leasehold investment properties, at fair value in Hong Kong, with remaining lease term of:			
– 50 years or more		10,900	12,000
		10,900	12,000
Interests in leasehold investment properties, at fair value outside Hong Kong, with remaining lease term of:			
– between 10 and 50 years		5,536,997	5,178,773
		5,536,997	5,178,773

(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 terms of the land lease, other than payments based on rateable values set by the relevant government authorities.

14. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (continued)

(d) Fair value measurement of properties

(i) Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

		Fair value measurements categorised into		
	Fair value HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Investment properties:				
As at 31 December 2020	5,547,897	–	–	5,547,897
As at 31 December 2019	5,190,773	–	–	5,190,773

During the year ended 31 December 2020, there were no transfers into or out of Level 3 (2019: 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
Investment properties – Hong Kong	Direct comparison approach	Premium (discount) on characteristic of the properties	-12.44% to 30% (2019: -21% to 15%)
Investment properties – The PRC	Hypothetical development method	Value of property	-4.7% to 5.3% (2019: -4.3% to 2.5%)
	Cost approach	Land price	0% to 5.97% (2019: 0% to 15.67%)
	Direct comparison approach	Weighted average price per square meter	RMB6,500 (2019: RMB7,100)
	Discounted cash flow method	Discount rate	6.0% to 6.7% (2019: 6.0% to 6.7%)
		Occupancy rate	96.3% to 100% (2019: 93% to 98%)
		Rental growth rate	0% to 8% (2019: 3% to 8%)

The fair value of investment properties in Hong Kong is determined using the direct comparison approach to value these properties in their respective existing states, and uses the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence. The valuations take into account the characteristics of the properties which included the location, size, shape, view, floor level, year of completion and other factors collectively. Higher premiums for properties with better characteristics will result in a higher fair value measurement.

The fair value of investment properties in PRC is determined by multiple approaches including hypothetical development method, cost approach, direct comparison approach and discounted cash flow method, and uses market basis assuming sale upon completion of construction by making reference to comparable sales evidence. The valuations take into account the estimated construction cost and characteristics of the properties which included the location, size, floor level, years to complete and other factors collectively. Higher premiums for properties with better characteristics will result in a higher fair value measurement.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2020 HK$'000	2019 HK$'000
Investment properties		
At 1 January	5,190,773	446,306
Additions	72,043	48,206
Acquisition	–	4,780,905
Disposal	(11,870)	(16,600)
Net (deficit)/surplus on revaluation of investment properties	(23,675)	122,463
Exchange adjustments	320,626	(190,507)
At 31 December	5,547,897	5,190,773

Net (deficit)/surplus on revaluation of investment properties is recognised as part of the "Income from other sources" (note 4) in the consolidated statement of profit or loss.

15. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of subsidiary	Place of incorporation/ operation	Class of shares	Particulars of issued and paid up capital/ registered capital	Percentage of equity interest held by the Company	Principal activities
CEL Venture Capital (Shenzhen) Limited	The PRC#	Not applicable	HK$4,770,000,000	100%	Provision of investment advisory services and investment
CEL Management Services Limited	Hong Kong	Ordinary	2 Shares HK$2	100%	Provision of management services
CEL (Secretaries) Limited	Hong Kong	Ordinary	2 Shares HK$2	100%	Provision of secretarial services
China Everbright Assets Management Limited	Hong Kong	Ordinary	5,000,000 Shares HK$5,000,000	100% [1]	Provision of asset management services
China Everbright Finance Limited	Hong Kong	Ordinary	100,000,000 Shares HK$100,000,000	100% [1]	Money lending
China Everbright Financial Investments Limited	Hong Kong	Ordinary	1,000,000 Shares HK$1,000,000	100%	Investment
China Everbright Industrial Investment Holdings Limited	Cayman Islands	Ordinary	10,000 Shares US$10,000	100%	Investment
China Everbright Investment Management Limited	Hong Kong	Ordinary	1,000,000 Shares HK$1,000,000	100%	Provision of investment management services
Everbright New Industries Capital Co. Ltd.	The PRC△	Not applicable	RMB160,000,000	70%	Project investment
Everbright San Shan Capital Management Co., Ltd.	The PRC△	Not applicable	RMB2,000,000	51%	Provision of asset 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
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
Well Logic Investment Limited	Hong Kong	Ordinary	2 Shares HK$2	100% [1]	Property investment
深圳市光控投資諮詢有限公司	The PRC*	Not applicable	RMB10,000,000	100% [1]	Provision of consultancy services
Everbright Venture Capital Jiangyin Co. Ltd.	The PRC*	Not applicable	RMB2,000,000	53.39% [1]	Venture capital
光大匯益偉業投資管理(北京)有限公司	The PRC*	Not applicable	RMB125,300,000	100% [1]	Project investment
光大控股(江蘇)投資有限公司	The PRC#	Not applicable	US$100,000,000	100%	Investment
宜興光控投資有限公司	The PRC*	Not applicable	RMB3,100,000,000	100% [1]	Project investment
重慶光控股權投資管理有限公司	The PRC*	Not applicable	RMB100,000,000	100% [1]	Fund management
光控廣域投資(上海)合伙企業(有限合伙)	The PRC◊	Not applicable	RMB677,500,000	72.14% [1]	Investment
Everbright (Qingdao) Investment Co., Limited	The PRC#	Not applicable	US$160,000,000	100%	Investment
成都光控西部創業投資有限公司	The PRC*	Not applicable	RMB500,000,000	100% [1]	Investment
上海光控嘉鑫股權投資管理有限公司	The PRC*	Not applicable	RMB100,000,000	100% [1]	Fund management
青島光控低碳新能股權投資有限公司	The PRC*	Not applicable	RMB650,000,000	76.92% [1]	Investment

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares	Particulars of issued and paid up capital/ registered capital	Percentage of equity interest held by the Company	Principal activities
青島光控新產業股權投資管理有限公司	The PRC[*]	Not applicable	RMB10,000,000	100%[1]	Investment
光大控股(青島)融資租賃有限公司	The PRC[#]	Not applicable	US$50,000,000	100%[1]	Investment
上海光控股權投資管理有限公司	The PRC[*]	Not applicable	RMB600,000,000	100%[1]	Fund management
CEL Israel Holdings Limited	British Virgin Islands	Ordinary	1 Share US$1	100%[1]	Investment holding
China Everbright Global Investment Advisors Company Limited	Hong Kong	Ordinary	5,000,000 Shares HK$5,000,000	100%[1]	Provision of advisory services
Everbright Hero GP Limited	Cayman Islands	Ordinary	1 Share US$1	100%[1]	Fund management
Everbright Hero, L.P.	Cayman Islands	Not applicable	Not applicable	90.16%[1]	Investment
光控投資管理(上海)有限公司	The PRC[Δ]	Not applicable	RMB200,000,000	100%[1]	Provision of investment management services
光大融資租賃(上海)有限公司	The PRC[Δ]	Not applicable	US$50,000,000	100%[1]	Provision of leasing services
Neo Modern Limited	British Virgin Islands	Ordinary	1 Share US$1	100%[1]	Investment holding
Diamond Wealth Global Limited	British Virgin Islands	Ordinary	100 Shares US$100	100%[1]	Investment holding
Pioneer Act Investments Limited	British Virgin Islands	Ordinary	1 Share US$1	100%[1]	Investment holding
CEL Global Investment LP Limited	Cayman Islands	Ordinary	1 Share US$1	100%[1]	Investment holding
珠海光浦益投投資合夥企業(有限合夥)	The PRC[◊]	Not applicable	RMB2,000,000	100%[1]	Investment

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares	Particulars of issued and paid up capital/ registered capital	Percentage of equity interest held by the Company	Principal activities
海門光控健康養老產業投資合夥企業(有限合夥)	The PRC◇	Not applicable	RMB441,500,000	69.40%[1]	Investment
CEL Elite Limited	Hong Kong	Ordinary	1 Share HK$1	100%[1]	Treasury management
上海光控浦益股權投資管理有限公司	The PRC*	Not applicable	RMB310,000,000	100%[1]	Fund management
China Golden Opportunities Fund III, L.P.	Cayman Islands	Not applicable	Not applicable	75.09%[1]	Investment
CEL New Economy Fund, L.P.	Cayman Islands	Not applicable	Not applicable	64.84%[1]	Investment
湖南光控星宸股權投資合夥企業(有限合夥)	The PRC◇	Not applicable	RMB5,100,000,000	50.94%[1]	Investment
江蘇溧陽光控股權投資合夥企業(有限合夥)	The PRC◇	Not applicable	RMB2,000,000,000	49.91%[1]	Investment
贛州光控嘉合股權投資中心(有限合夥)	The PRC◇	Not applicable	RMB2,500,000	60%[1]	Investment
贛州光控蘇區高質量發展產業投資基金(有限合夥)	The PRC◇	Not applicable	RMB2,500,000,000	33.31%[1]	Investment
廣州光控穗港澳青年創業股權投資合夥企業(有限合夥)	The PRC◇	Not applicable	RMB100,000,000	39.8%[1]	Investment
光控(重慶)新經濟股權投資基金管理有限公司	The PRC*	Not applicable	RMB100,000,000	80%[1]	Fund management
光控(遼寧)產業投資基金管理有限公司	The PRC*	Not applicable	RMB25,000,000	60%[1]	Fund management

(1) Subsidiaries held indirectly.
Limited liability companies (wholly-foreign-owned enterprise) registered under PRC law.
Δ Limited liability companies (equity joint venture enterprise) registered under PRC law.
* Limited liability companies registered under PRC law.
◇ Limited partnership enterprises registered under PRC law.

The list of subsidiaries above included certain consolidated structured entities of which the Group has capital commitment of HK$4,151,810,000 (2019: HK$4,312,261,000) to provide capital to support the operating and investing activities. The Group has no intention and did not provide any other financial support to these consolidated structured entities during the year.

15. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisition of a subsidiary

During the year ended 31 December 2020, there was no material acquisition of subsidiary.

As at 31 December 2018, the Group held a 28.91% interest in Ying Li International Real Estate Limited ("Ying Li"). On 3 April 2019, the Group acquired approximately 30% shares of Ying Li for a consideration of SGD107,387,000 (equivalent to approximately HK$621,858,000), increased its shareholding to 58.91% and Ying Li was classified as a held-for-sale investment for the period from 3 April 2019 to 13 December 2019. The acquisition triggered a mandatory general offer and the Group's interest in Ying Li has further increased to 72.04% in May 2019. Following a board meeting on 13 December 2019, to reflect the Group's latest business plan in holding the investment in Ying Li, the board of directors of the Company approved the decision to cease classifying the investment in Ying Li as a disposal group held for sale but accounted for and consolidated in the financial statements of the Group as a subsidiary in 2019, with effect from 3 April 2019, in accordance with the relevant accounting standards. As a result of the size and complexity of the transaction, the purchase price allocation remained provisional in late 2019 with an estimated gain on bargain purchase of approximately HK$680 million.

Subsequent to the provisional purchase price allocation, the fair values of the assets and liabilities were determined using updated appraisals. Fair value was determined using various valuation models, which were applied according to the assets and liabilities being measured. Judgement is used to measure the inventories and the investment properties, especially with regard to the choice of the valuation method to be used and the inputs to be considered. The purchase price allocation was finalised in March 2020 with a revised gain on bargain purchase of approximately HK$619,358,000, for the year ended 31 December 2019.

Gain on bargain purchase represents the excess of fair value of consideration transferred at acquisition over the fair value of the identified assets acquired and liabilities assumed for this acquisition. In the opinion of the directors, the consideration of the acquisition was mutually agreed between the parties in an arm's length basis and represented the fair value in an open market. The gain on bargain purchase is mainly attributable to the immediate exit opportunity offered to the seller in cash.

The principal activity of Ying Li is investment holding.

The Group has elected to measure the non-controlling interests Ying Li at their proportionate share of Ying Li's identifiable net assets.

15. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisition of a subsidiary (continued)

The fair value of the identifiable assets and liabilities of Ying Li as at the date of acquisition were as follows:

	HK$'000
Fair values of identifiable assets and liabilities	
Property, plant and equipment	65,284
Investment properties	4,780,905
Financial assets at fair value through profit or loss	1,086,516
Inventories	2,024,977
Trade and other receivables	1,855,938
Cash and cash equivalents	647,013
Deferred tax liabilities	(862,684)
Trade and other payables	(1,628,609)
Bank loans and other borrowings	(4,740,102)
Total identifiable net assets at fair value	3,229,238
Non-controlling interests	(1,388,563)
Fair value of equity interests in hand (28.91%)	(599,459)
Satisfied by cash consideration (30%)	(621,858)
Gain on bargain purchase	619,358

The non-controlling interests included the 41.09% share of Ying Li held by independent third parties and non-controlling interests included the minority interests in the book of Ying Li of HK$78,107,000.

As at the acquisition date, the fair value of the 28.91% equity interests held by the Group immediately before the acquisition date was HK$599,459,000. A realised gain on financial assets at fair value through profit or loss of HK$102,765,000 was recognised upon the remeasurement to fair value on the date of acquisition.

The fair value of the trade and other receivables as at the date of acquisition amounted to HK$1,855,938,000. The gross contractual amount of trade and other receivables was HK$1,859,589,000, of which HK$3,651,000 was expected to be uncollectible.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(621,858)
Cash and bank balances acquired	647,013
Net inflow of cash and cash equivalents included in cash flow from investing activities	25,155

For the period from 3 April 2019 (date of acquisition) to 31 December 2019, Ying Li contributed total income of approximately HK$212,000,000 and net loss of approximately HK$156,000,000 to the Group's result. If the acquisition had occurred on 1 January 2019, management estimates that the total income would have been approximately HK$272,000,000, and the net loss for the year would have been approximately HK$191,000,000. In determining the amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

Further, in April to May 2019, the Group acquired a further interest of 13.13% under the mandatory general offer with an aggregate consideration of HK$272,024,000 which was lower than the carrying amount of the non-controlling interests. The decrease in the non-controlling interests of HK$413,494,000 has been recorded.

15. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Acquisition of non-controlling interests

During the year ended 31 December 2020, the Group acquired an additional 35% interests in EBA Investments (Advisory) Limited, increasing its ownership from 65% to 100%.

	2020 HK$'000
Carrying amount of non-controlling interests acquired	380,130
Consideration paid to non-controlling interests	(149,733)
An increase in capital reserve	230,397

16. INVESTMENTS IN ASSOCIATES

(a) Investments in associates

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

Note:

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

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

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

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

16. INVESTMENTS IN ASSOCIATES (continued)

(b) As at 31 December 2020, particulars of the principal associates of the Group are as follows:

Name of associate	Place of incorporation/ operation	Principal activities	Percentage of equity interest held by the Company
Everbright Securities Company Limited# ("Everbright Securities")	The PRC	Securities operations (note 1)	20.83%
China Aircraft Leasing Group Holdings Limited## ("CALGH")	Cayman Islands	Investment holding (note 2)	37.11%*
Jiabao Group###	The PRC	Real estate development/real estate asset management (note 3)	29.17%*
China Everbright Senior Healthcare Company Limited ("ESH")	Hong Kong	Providing senior health care services (note 4)	49.29%* (note 5)

Market value of the listed shares in mainland China as at 31 December 2020 was equivalent to HK$21,134,810,000 (2019: HK$14,364,606,000).

Market value of the listed shares in Hong Kong as at 31 December 2020 was HK$1,790,413,000 (2019: HK$2,002,827,000).

Market value of the listed shares in mainland China as at 31 December 2020 was equivalent to HK$1,756,617,000 (2019: HK$1,904,366,000).

* Held indirectly

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

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

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

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

Note 5: As at 31 December 2020, the Group did not control the board of directors of ESH. Upon the completion of the administrative procedures of share subscription by an investor with investment amount of RMB 50 million, the Group's equity interest in ESH stands at 49.29%.

16. INVESTMENTS IN ASSOCIATES (continued)

(b) As at 31 December 2020, particulars of the principal associates of the Group are as follows: (continued)

For the year ended 31 December 2020, Everbright Securities has recorded an after-tax profit of approximately RMB2,466 million (2019: RMB694 million) and the Group's share of profit under the equity method amounted to HK$564 million (2019: HK$141 million).

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

(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	
	2020 HK$'000	2019 HK$'000
Gross amounts of the associate		
Current assets	234,037,176	191,766,330
Non-current assets	38,159,121	36,069,929
Current liabilities	(172,311,744)	(137,358,514)
Non-current liabilities	(36,582,383)	(35,755,599)
Perpetual subordinated bonds	(2,380,000)	–
Non-controlling interests	(888,003)	(1,757,227)
Equity attributable to equity shareholders of the associate	60,034,167	52,964,919
Operating income	17,841,862	11,432,304
Profit from operations	2,773,483	788,977
Other comprehensive income	(140,214)	294,060
Total comprehensive income	2,633,269	1,083,037
Dividend received from the associate	39,562	114,503
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	60,034,167	52,964,919
Group's effective interest	20.83%	21.3%
Group's share of net assets of the associate	12,504,182	11,262,789
Carrying amount in the Group's consolidated financial statements	12,504,182	11,262,789

Aggregate information of the associates that are not individually material:

	2020 HK$'000	2019 HK$'000
Aggregate carrying amount of associates that are not individually material in the consolidated statement of financial position	6,731,136	7,464,702
Aggregate amounts of the Group's share of those associates:		
Profit for the year	(1,095)	682,946
Other comprehensive income	148,833	(166,027)
Total comprehensive income	147,738	516,919

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

17. INVESTMENTS IN JOINT VENTURES

(a) Investments in joint ventures

	2020 HK$'000	2019 HK$'000
Carrying value, net	1,045,747	1,052,931

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

Name of joint venture	Place of incorporation/ operation	Principal activities	Percentage of equity interest held by the Company
Wuxi Ronghong Guolian Capital Co., Ltd. (formerly known as Everbright Guolian Capital Co., Ltd.)	The PRC	Venture capital and investment advisory services (note 1)	50.0%*
山東高速光控產業投資基金管理有限公司	The PRC	Fund management services (note 2)	48.0%*
CEL Capital Prestige Asset Management Co., Ltd.	The PRC	Assets management services (note 3)	49.0%*

* Held indirectly

Note 1: Wuxi Ronghong Guolian Capital Co., Ltd. is a joint venture of the Group to provide investment advisory services to a joint venture fund in mainland China.

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

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

17. INVESTMENTS IN JOINT VENTURES (continued)

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

Aggregate information of joint ventures that are not individually material:

	2020 HK$'000	2019 HK$'000
Aggregate carrying amount of joint ventures that are not individually material in the consolidated statement of financial position	1,045,747	1,052,931
Aggregate amounts of the Group's share of those joint ventures:		
Profit for the year	43,300	88,713
Other comprehensive income	69,506	(14,288)
Total comprehensive income	112,806	74,425

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

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

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

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

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

(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$26,896,583,000 (2019: HK$22,222,831,000).

As at 31 December 2020, the Group's listed and unlisted equity securities amounting to a fair value of HK$30,486,793,000 (2019: HK$24,188,557,000) were investments in associates and joint ventures. The Group was exempted from applying the equity method to these investments and they were measured as financial assets at fair value through profit or loss.

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

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

20. ADVANCES TO CUSTOMERS

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

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 are current in meeting its 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 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 2020

Internal rating grade	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Medium	2,106,739	–	–	2,106,739
High	48,777	34,297	–	83,074
Default	–	–	299,996	299,996
	2,155,516	34,297	299,996	2,489,809

20. ADVANCES TO CUSTOMERS (continued)

As at 31 December 2019

Internal rating grade	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Medium	2,847,259	–	–	2,847,259
High	78,280	–	–	78,280
Default	–	–	299,996	299,996
	2,925,539	–	299,996	3,225,535

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 2019	2,198,812	–	77,251	2,276,063
New assets originated or purchased	2,019,276	–	–	2,019,276
Assets derecognised or repaid	(1,061,831)	–	–	(1,061,831)
Transfer from Stage 1 to Stage 3	(222,745)	–	222,745	–
Exchange difference	(7,973)	–	–	(7,973)
As at 31 December 2019 and 1 January 2020	2,925,539	–	299,996	3,225,535
New assets originated or purchased	1,789,314	–	–	1,789,314
Assets derecognised or repaid	(2,590,882)	–	–	(2,590,882)
Transfer from Stage 1 to Stage 2	(34,297)	34,297	–	–
Exchange difference	65,842	–	–	65,842
As at 31 December 2020	2,155,516	34,297	299,996	2,489,809

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 2019	–	–	77,251	77,251
Other changes (including new assets and derecognised assets)	–	–	222,745	222,745
As at 31 December 2019 and 1 January 2020	–	–	299,996	299,996
Other changes (including new assets and derecognised assets)	8,442	6,558	–	15,000
As at 31 December 2020	8,442	6,558	299,996	314,996

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

21. INVENTORIES

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

22. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

The carrying amount of debtors, deposits and prepayments approximated to their fair value as at 31 December 2020 and 31 December 2019.

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

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

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

There was no impairment allowance provided in 2020.

The increase in the impairment allowance of HK$16,245,000 in 2019 was a result of an increase in debtors, deposits and prepayments which were impaired in 2019.

23. TRADING SECURITIES

	2020 HK$'000	2019 HK$'000
Current assets		
At fair value:		
Listed equity securities		
– in Hong Kong	581,072	397,531
– outside Hong Kong	391,913	230,855
Listed debt securities		
– in Hong Kong	150,657	315,434
– outside Hong Kong	2,006,401	1,248,315
Unlisted debt securities	14,858	44,677
Derivatives		
– listed	586	727
– unlisted	31,988	14,188
	3,177,475	2,251,727
Current liabilities		
At fair value:		
Listed equity securities		
– in Hong Kong	(373,405)	(93,266)
– outside Hong Kong	(221,374)	(126,070)
Listed debt securities		
– outside Hong Kong	(11,017)	(16,225)
Derivatives		
– listed	–	(1,620)
– unlisted	(60,218)	(45,969)
	(666,014)	(283,150)

24. CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Cash on hand, savings and current accounts	8,155,485	6,877,509
Fixed deposits with banks	1,143,900	388,074
Cash and cash equivalents in the consolidated statement of financial position	9,299,385	7,265,583
Less: Restricted cash	(439,248)	(422,817)
Cash and cash equivalents in the consolidated statement of cash flows	8,860,137	6,842,766

24. CASH AND CASH EQUIVALENTS (continued)

Restricted bank balances of HK$65,726,000 (31 December 2019: HK$46,114,000) were pledged to banks for sales of mortgaged properties to customers and interest reserve account on borrowings.

Restricted bank balances of HK$373,522,000 (31 December 2019: HK$376,703,000) were pledged to banks to secure banking facilities and other borrowings granted to the Group. In which, HK$219,061,000 were pledged to bonds payable (31 December 2019:HK$200,359,000).

25. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	2020 HK$'000	2019 HK$'000
Creditors, deposits received and accrued charges	3,385,568	3,147,425

26. BANK LOANS

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

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

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

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

(a) Mortgage over certain investment properties with carrying value of approximately HK$4,645 million (31 December 2019: approximately HK$4,368 million);

(b) Mortgage over certain inventories with carrying value totalling approximately HK$425 million (31 December 2019: approximately HK$409 million);

(c) Pledged by the equity interests in subsidiaries with carrying value of approximately HK$1,527 million (31 December 2019: approximately HK$429 million); and

(d) Bank balances pledged amounting to approximately HK$154 million (31 December 2019: approximately HK$177 million).

27. OTHER FINANCIAL LIABILITIES

	Note	2020 HK$'000	2019 HK$'000
Current:			
Financial liabilities to third party investors	(a)	736,440	98,320
Non-current:			
Financial liabilities to third party investors	(a)	7,448,750	4,909,113

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

28. BONDS PAYABLE

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

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	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
At 1 January	(1,910,810)	(1,010,936)	(404,646)	(404,646)	(2,315,456)	(1,415,582)
Charged to profit or loss	(372,247)	(51,892)	(29,582)	–	(401,829)	(51,892)
Acquisition	–	(862,684)	–	–	–	(862,684)
Exchange adjustments	49,997	14,702	–	–	49,997	14,702
At 31 December	(2,233,060)	(1,910,810)	(434,228)	(404,646)	(2,667,288)	(2,315,456)

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$3,229 million (2019: approximately HK$3,338 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:

	2020 HK$'000	2019 HK$'000
As at 1 January	131,799	631,716
Additions	18,474	31,897
Disposal of a subsidiary	(247)	(492,243)
Interest expense	4,604	22,768
Payments	(52,978)	(60,780)
Exchange adjustments	4,177	(1,559)
As at 31 December	105,829	131,799
Analysed into:		
Current portion	32,027	46,266
Non-current portion	73,802	85,533

31. SHARE CAPITAL

(a) Share capital

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

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

31. SHARE CAPITAL (continued)

(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 2020 and 2019 was as follows:

	2020 HK$'000	2019 HK$'000
Current liabilities		
Bank loans	9,493,274	9,577,956
Notes payable	–	57,000
Bonds payable	4,946,410	3,545,240
	14,439,684	13,180,196
Non-current liabilities		
Bank loans	9,415,374	9,407,892
Notes payable	27,000	–
Bonds payable	7,723,040	8,372,625
Total debt	31,605,098	30,960,713
Add: Proposed dividend	589,839	387,608
Less: Cash and cash equivalents	(8,860,137)	(6,842,766)
Adjusted net debt	23,334,800	24,505,555
Total equity	49,432,981	43,787,370
Less: Proposed dividend	(589,839)	(387,608)
Adjusted capital	48,843,142	43,399,762
Adjusted net debt-to-capital ratio	48%	56%

As at 31 December 2020, the Group's liquidity remained healthy. The addition of financial resources is mainly attributable to fruitful returns, through divestments and dividends, from investments. During the year, the Group has also made ongoing investments over advances to customers, trading securities and financial assets at fair value through profit or loss. To enhance shareholders' returns, the Group continues to seek new investment opportunities while maintaining a healthy capital structure.

The Company is not subject to externally imposed capital requirements. Certain subsidiaries of the Company are subject to regulatory imposed capital and liquid capital requirements (see also note 39(b)). These subsidiaries have complied with those requirements at all time during both the current and prior financial years.

32. SENIOR PERPETUAL CAPITAL SECURITIES

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

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

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

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

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	31 December 2020 HK$'000	31 December 2019 HK$'000
Non-current assets			
Investments in subsidiaries	15	7,264,282	7,189,175
Amounts due from subsidiaries		16,196,688	15,168,960
Investment in an associate		1,504,118	1,538,313
Equity investments designated at fair value through other comprehensive income		7,455,961	7,742,741
		32,421,049	31,639,189
Current assets			
Amounts due from subsidiaries		17,804,383	16,426,044
Debtors, deposits and prepayments		386,657	357,094
Cash and cash equivalents		1,146,038	14,002
		19,337,078	16,797,140
Current liabilities			
Amounts due to subsidiaries		(9,798,169)	(7,335,973)
Bank loans		(3,392,278)	(5,629,244)
Bonds payable		(4,752,640)	(3,349,050)
Creditors, deposits received and accrued charges		(171,124)	(155,367)
		(18,114,211)	(16,469,634)
Net current assets		1,222,867	327,506
Total assets less current liabilities		33,643,916	31,966,695
Non-current liabilities			
Bank loans		(3,600,920)	(3,491,360)
Bonds payable		(7,723,040)	(8,372,625)
Deferred tax liabilities		(265,341)	(265,341)
		(11,589,301)	(12,129,326)
NET ASSETS		22,054,615	19,837,369
CAPITAL AND RESERVES			
Share capital	31	9,618,097	9,618,097
Reserves	34	10,095,242	10,219,272
Senior perpetual capital securities	32	2,341,276	–
TOTAL EQUITY		22,054,615	19,837,369

Approved and authorised for issue by the Board of Directors on 18 March 2021 and signed on behalf of the Board by:

Zhao Wei
Director

Tang Chi Chun, Richard
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 2019		9,618,097	5,154,570	2,142,849	16,915,516
Dividends paid	11	–	–	(1,095,414)	(1,095,414)
Profit for the year		–	–	2,836,285	2,836,285
Other comprehensive income for the year		–	1,180,982	–	1,180,982
As at 31 December 2019 and 1 January 2020		9,618,097	6,335,552	3,883,720	19,837,369
Dividends paid	11	–	–	(623,544)	(623,544)
Profit for the year		–	–	786,294	786,294
Other comprehensive income for the year		–	(286,780)	–	(286,780)
As at 31 December 2020		9,618,097	6,048,772	4,046,470	19,713,339

(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 2020, 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$4,046,470,000 (2019: HK$3,883,720,000). After the end of the reporting period, the directors proposed a final dividend of HK$0.35 per share (2019: HK$0.23 per share), amounting to HK$589,839,000 (2019: HK$387,608,000) (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 2020

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

As at 31 December 2019

	Indefinite HK$'000	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Assets							
– Advances to customers	–	–	60,080	1,882,178	983,281	–	2,925,539
– Trading securities	643,301	–	1,608,426	–	–	–	2,251,727
– Equity investments designated at fair value through other comprehensive income	7,742,741	–	–	–	–	–	7,742,741
– Financial assets at fair value through profit or loss	35,618,482	–	–	–	830,881	–	36,449,363
– Cash and cash equivalents	–	6,454,692	388,074	422,817	–	–	7,265,583
	44,004,524	6,454,692	2,056,580	2,304,995	1,814,162	–	56,634,953
Liabilities							
– Bank loans	–	–	(2,220,346)	(7,357,610)	(8,529,337)	(878,555)	(18,985,848)
– Other financial liabilities	–	–	–	(98,320)	(891,878)	(4,017,235)	(5,007,433)
– Trading securities	(266,925)	–	(16,225)	–	–	–	(283,150)
– Bonds payable	–	–	–	(3,545,240)	(8,372,625)	–	(11,917,865)
– Notes payable	–	(27,000)	–	(30,000)	–	–	(57,000)
– Lease liabilities	–	–	(13,057)	(33,209)	(81,319)	(4,214)	(131,799)
	(266,925)	(27,000)	(2,249,628)	(11,064,379)	(17,875,159)	(4,900,004)	(36,383,095)

36. MATERIAL RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	2020 HK$'000	2019 HK$'000
Management fee income from:		
– a joint venture	1,046	1,256
– associates exempted from applying the equity method and were recognised as financial assets at fair value through profit or loss	129,552	140,261
Consultancy and other service income from an associate*	881	439
Bank interest income from a fellow subsidiary/a related party bank	54,969	112,063
Dividend income from:		
– associates exempted from applying the equity method and was recognised as financial assets at fair value through profit or loss	54,747	432,272
– a fellow subsidiary/a related party bank	365,877	295,173
Brokerage services fee to a fellow subsidiary*	252	1
Bank loans interest expense to a fellow subsidiary/a related party bank	64,856	30,242
Consultancy fee to an associate*	23,735	22,977
Custodian services fee to a related bank*	918	947
Rental expense paid to a fellow subsidiary*	7,547	8,578
Technology service fee to a fellow subsidiary/a related party bank*	242	279
Remuneration of key management personnel (including the Company's directors):		
– short-term employee benefits	31,692	54,956
– retirement scheme contributions	348	508

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

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

	2020 HK$'000	2019 HK$'000
Loan to an associate	–	253,704
Amounts due from associates (included in debtors, deposits and prepayments)	42,227	6,356
Bank deposit with a fellow subsidiary/a related party bank (including bank deposit in trust accounts)	4,664,783	5,086,176
Bank loans from a fellow subsidiary/a related party bank	(3,492,278)	(780,000)
Interests in collective investment schemes issued by an associate (included in financial assets at fair value through profit or loss)	3,342,834	3,196,718

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

Loan to an associate was unsecured, interest-bearing and repayable within one year.

36. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(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.

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.

37. COMMITMENTS

(a) Capital commitment

As at 31 December 2020, the Group had capital commitments as follows:

	2020 HK$'000	2019 HK$'000
Contracted but not provided for:		
– consolidated structured entities	4,151,810	4,312,261
– unconsolidated structured entities	5,404,149	4,393,472
– term loans to customers	–	123,915
– unlisted equity investments	307,971	–
	9,863,930	8,829,648

The above amounts included capital commitment 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 2020, the undiscounted lease payments receivable by the Group in the future periods under non-cancellable operating leases with its tenants are as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	175,254	186,660
After 1 year but within 2 years	137,403	142,734
After 2 years but within 3 years	108,655	104,294
After 3 years but within 4 years	84,897	83,827
After 4 years but within 5 years	76,447	70,952
After 5 years	151,380	188,212
	734,036	776,679

(c) Off-balance sheet exposure

The fair values and the contractual or notional amounts of the Group's trading derivatives outstanding at 31 December 2020 are detailed as follows:

	Fair value assets/(liabilities)		Contractual/ notional amounts	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Assets derivative contracts	32,574	14,915	1,093,051	118,863
Liabilities derivative contracts	(60,218)	(47,589)	2,158,756	2,582,834

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

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

38. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest.

Type of structured entity	Nature and purpose	Interest held by the Group
Investment funds	To generate fees from managing assets on behalf of third party investors and to make investment returns from co-investing in the funds	• Management fees • Investments held in the form of limited partnership interest of the funds
Collective investment schemes	These vehicles are financed through the issue of units to investors	• Investments in units issued by the structured entity

As at 31 December 2020, the carrying value of interests held by the Group in unconsolidated structured entities amounted to HK$26,896,583,000 (2019: HK$22,222,831,000), which were recognised in financial assets at fair value through profit or loss in the consolidated statement of financial position.

As at 31 December 2020, 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$11,765,066,000 (2019: HK$11,086,043,000) and HK$15,131,517,000 (2019: HK$11,136,788,000) 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 led by the Chief Risk Officer and is executed by the Risk Management Department. This functional structure can assess, identify and document the Group's risk profile to ensure that the business units focus, control and systematically avoid potential risks in various business area. The following is a brief description of the Group's approach in managing these risks.

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

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

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

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

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

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

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

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

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

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

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

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

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

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 2020

		12-month ECLs	Lifetime ECLs			
	Note	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Advance to customers	20	2,155,516	34,297	299,996	–	2,489,809
Debtors and deposits						
– Normal*		1,553,110	–	–	745,341	2,298,451
– Doubtful*		–	5,074	84,723	–	89,797
Cash and cash equivalents						
– Not yet past due	24	9,299,385	–	–	–	9,299,385
Finance lease receivables		–	–	–	59,408	59,408
		13,008,011	39,371	384,719	804,749	14,236,850

As at 31 December 2019

		12-month ECLs	Lifetime ECLs			
	Note	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Advance to customers	20	2,925,539	–	299,996	–	3,225,535
Debtors and deposits						
– Normal*		829,239	–	–	748,358	1,577,597
– Doubtful*		–	–	84,723	–	84,723
Cash and cash equivalents						
– Not yet past due	24	7,265,583	–	–	–	7,265,583
Amount due from an associate	16	253,704	–	–	–	253,704
Finance lease receivables		–	–	–	55,818	55,818
		11,274,065	–	384,719	804,176	12,462,960

The Group applies the general approach for impairment of financial assets except for impairment of accounts receivable (included in debtors and deposits) and finance lease receivables, to which the simplified approach was applied.

* 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:

	2020				2019			
	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	3,385,568	3,385,568	3,385,568	–	3,147,425	3,147,425	3,147,425	–
Bank loans	18,908,648	20,433,340	9,740,205	10,693,135	18,985,848	20,685,111	10,025,585	10,659,526
Notes payable	27,000	28,890	945	27,945	57,000	58,697	58,697	–
Bonds payable	12,669,450	13,379,453	5,341,297	8,038,156	11,917,865	13,134,043	619,076	12,514,967
Trading securities	666,014	666,014	666,014	–	283,150	283,150	283,150	–
Other financial liabilities	8,185,190	8,185,190	736,440	7,448,750	5,007,433	5,007,433	98,320	4,909,113
Lease liabilities	105,829	114,221	35,603	78,618	131,799	144,169	51,017	93,152
	43,947,699	46,192,676	19,906,072	26,286,604	39,530,520	42,460,028	14,283,270	28,176,758

(c) Interest rate risk

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

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

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

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 2020, a general increase/decrease of 0.5% in interest rates, with all other variables held constant, would have decreased/increased the Group's profit before tax, by HK$41,318,974/HK$64,402,750 (2019: decrease/increase of HK$54,983,647/HK$67,872,733 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 2019.

	2020		2019	
	Effective interest rate	HK$'000	Effective interest rate	HK$'000
Assets				
Advances to customers	9.2%	2,189,813	9.9%	2,925,539
Cash and cash equivalents	0.4%	9,299,385	0.3%	7,265,583
Total interest-bearing assets		11,489,198		10,191,122
Liabilities				
Bank loans	2.34%	18,908,648	3.81%	18,985,848
Total interest-bearing liabilities		18,908,648		18,985,848

(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:

	2020			2019		
	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	–	7,455,961	–	–	7,742,741	–
Financial assets at fair value through profit or loss	10,918,047	3,903,456	–	14,189,429	1,523,360	–
Advances to customers	681,049	–	–	865,761	–	–
Amounts due from subsidiaries	–	13,384,710	–	–	9,721,062	–
Debtors, deposits and prepayments	71,853	63,536	–	94,795	52,497	–
Trading securities	25,483	277,356	–	–	333,284	–
Cash and cash equivalents	1,484,868	147,074	154	444,325	13,658	152
Bank loans	(3,286,339)	(415,856)	(694,794)	(4,413,942)	(390,723)	(1,220,704)
Bonds payable	(193,770)	(12,475,680)	–	(196,190)	(11,721,675)	–
Other financial liabilities	(1,050,125)	(436,956)	–	(1,031,562)	–	–
Creditors, deposits received and accrued charges	(303,517)	(298,770)	–	(296,539)	(148,143)	–
Net exposure arising from recognised assets and liabilities	8,347,549	11,604,831	(694,640)	9,656,077	7,126,061	(1,220,552)

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.

	2020			2019		
	Increase/ (decrease) in exchange rates	Effect on profit 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%	41,489	74,560	1%	(6,167)	77,427
	1%	(41,489)	(74,560)	(1%)	6,167	(77,427)

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 2019.

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

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

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 2019:

	2020			2019		
	Increase/ (decrease) in equity price	Effect on profit before tax and retained profits HK$'000	Effect on other components of equity HK$'000	Increase/ (decrease) in equity price	Effect on profit before tax and retained profits HK$'000	Effect on other components of equity HK$'000
Listed equity investments	10%	306,401	745,596	10%	393,431	774,274
	(10%)	(306,401)	(745,596)	(10%)	(393,431)	(774,274)
Unlisted equity investments	5%	1,651,238	–	5%	1,368,072	–
	(5%)	(1,651,238)	–	(5%)	(1,368,072)	–

39. FINANCIAL INSTRUMENTS (continued)

(f) Offsetting financial assets and financial liabilities

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

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
As at 31 December 2020					
Trading securities	2,233,946	–	2,233,946	(271,185)	1,962,761
Debtors, deposits and prepayments	125,750	–	125,750	–	125,750
As at 31 December 2019					
Trading securities	1,843,020	–	1,843,020	(247,590)	1,595,430
Debtors, deposits and prepayments	194,990	–	194,990	–	194,990

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

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
As at 31 December 2020					
Trading securities	298,180	–	298,180	(271,185)	26,995
Creditors, deposits received and accrued charges	833,298	–	833,298	–	833,298
As at 31 December 2019					
Trading securities	280,621	–	280,621	(247,590)	33,031
Creditors, deposits received and accrued charges	683,070	–	683,070	–	683,070

39. FINANCIAL INSTRUMENTS (continued)

(f) Offsetting financial assets and financial liabilities (continued)

Reconciliation to the net amount of financial assets and financial liabilities presented in the consolidated statement of financial position

	Financial assets in scope of offsetting disclosures HK$'000	Carrying amounts in the consolidated statement of financial position HK$'000	Financial assets not in scope of offsetting disclosure HK$'000	Note
As at 31 December 2020				
Trading securities	2,233,946	3,177,475	943,529	23
Debtors, deposits and prepayments	125,750	2,712,276	2,586,526	22
As at 31 December 2019				
Trading securities	1,843,020	2,251,727	408,707	23
Debtors, deposits and prepayments	194,990	2,104,866	1,909,876	22

	Financial liabilities in scope of offsetting disclosures HK$'000	Carrying amounts in the consolidated statement of financial position HK$'000	Financial liabilities not in scope of offsetting disclosure HK$'000	Note
As at 31 December 2020				
Trading securities	298,180	666,014	367,834	23
Creditors, deposits received and accrued charges	833,298	3,385,568	2,552,270	25
As at 31 December 2019				
Trading securities	280,621	283,150	2,529	23
Creditors, deposits received and accrued charges	683,070	3,147,425	2,464,355	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 Chief Financial Officer, Chief Risk Officer 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 Chief Financial Officer, Chief Risk Officer and the Audit and Risk Management Committee. Discussion of the valuation process and results with the Chief Financial Officer and the Audit and Risk Management Committee is held twice a year to coincide with the reporting dates.

In addition to the above valuers, the Group also make 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 2020

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

40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

As at 31 December 2019

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurement				
Assets				
Equity investments designated at fair value through other comprehensive income:				
– Listed equity securities	7,742,741	–	–	7,742,741
Financial assets at fair value through profit or loss:				
– Listed equity securities	2,727,357	–	797,907	3,525,264
– Unlisted equity securities/collective investment schemes	–	–	27,361,443	27,361,443
– Unlisted preference shares	–	–	4,731,775	4,731,775
– Unlisted debt securities	–	–	830,881	830,881
	2,727,357	–	33,722,006	36,449,363
Trading securities:				
– Listed equity securities	628,386	–	–	628,386
– Listed debt securities	1,563,749	–	–	1,563,749
– Unlisted debt securities	–	44,677	–	44,677
– Listed derivatives	–	727	–	727
– Unlisted derivatives	–	14,188	–	14,188
	2,192,135	59,592	–	2,251,727
	12,662,233	59,592	33,722,006	46,443,831
Liabilities				
Trading securities:				
– Listed equity securities	(219,336)	–	–	(219,336)
– Listed debt securities	(16,225)	–	–	(16,225)
– Listed derivatives	–	(1,620)	–	(1,620)
– Unlisted derivatives	–	(45,969)	–	(45,969)
	(235,561)	(47,589)	–	(283,150)

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 2020 and 2019.

40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

As at 31 December 2019, one of the financial assets at fair value through profit or loss with fair values of HK$410,507,000 was previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As unadjusted quoted prices are available in the active market, the fair value measurement of these equity securities was accordingly transferred from Level 3 to Level 1 of the fair value hierarchy.

Valuation techniques and inputs used in Level 2 fair value measurements

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

Information about Level 3 fair value measurements

As at 31 December 2020

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

40. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Information about Level 3 fair value measurements (continued)

As at 31 December 2019

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%	(29,860)
			(5%)	29,860
	Market multiples	1.0 to 29.4	5%	82,019
			(5%)	(82,019)
Binomial model and equity allocation model	Discount rate	11.53% to 12.68%	5%	(5,833)
			(5%)	5,625
	Volatility	23.89% to 58.93%	5%	(5,835)
			(5%)	5,046
Put Option Model	Discount for lack of marketability for restricted shares	1.17% to 9.28%	5%	(2,438)
			(5%)	2,438

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

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

(1) making reference to capital statements, management information and valuation reports provided by third parties;

(2) deducing from prices recently paid for similar assets, quoted market prices in active markets and the financial indicators of the transacted assets such as net book value and net operating profit; and

(3) applying, if possible, price to earnings ("P/E") ratios, price to book ("P/B") ratios, enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") ratios and enterprise value to sales ("EV/Sales") ratios for similar listed companies adjusted to reflect the specific circumstances of the investments.

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

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

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 at fair value through profit or loss				
	Listed equity securities HK$'000	Unlisted equity securities/ collective investment schemes HK$'000	Unlisted preference shares HK$'000	Unlisted debt securities HK$'000	Total HK$'000
At 1 January 2019	410,507	28,872,679	4,628,940	1,234,181	35,146,307
Purchases	–	3,448,517	1,367,906	624,078	5,440,501
Net realised and unrealised gain/(loss) recognised in profit or loss	151,470	(608,908)	148,840	(43,771)	(352,369)
Disposals	–	(3,874,715)	(21,124)	(989,372)	(4,885,211)
Reclassification	235,930	(476,130)	(1,392,787)	5,765	(1,627,222)
At 31 December 2019 and at 1 January 2020	797,907	27,361,443	4,731,775	830,881	33,722,006
Purchases	–	6,652,229	744,077	700,000	8,096,306
Net realised and unrealised gain/(loss) recognised in profit or loss	(203,774)	1,073,073	1,775,759	(40,982)	2,604,076
Disposals	(159,494)	(2,061,990)	(664,695)	(232,524)	(3,118,703)
Reclassification	(434,639)	–	(97,566)	97,566	(434,639)
At 31 December 2020	–	33,024,755	6,489,350	1,354,941	40,869,046

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash outflow from operating activities:

	2020 HK$'000	2019 HK$'000 (restated)
Profit before taxation	3,205,256	2,762,807
Interest income on bank deposits	(91,782)	(129,670)
Interest expenses	1,062,091	1,164,915
Dividend income	(365,877)	(295,173)
Share of profits less losses of joint ventures	(43,300)	(88,713)
Share of profits less losses of associates	(563,020)	(823,454)
Depreciation and amortisation expenses	80,989	85,193
Realised gain on partial disposal of an associate	(251,189)	–
Gain on losing control of subsidiaries	(57,136)	(23,125)
Gain on deemed disposal of an investment in a subsidiary	–	(194,229)
Gain on bargain purchase	–	(619,358)
Net deficit/(surplus) on revaluation of investment properties	23,675	(122,463)
Gain on disposal of investment properties	(7,175)	(1,800)
Gain on disposal of property, plant and equipment	(140)	(6)
Impairment loss of investment in an associate	178,000	–
Impairment loss on advances to customers	15,000	222,745
Impairment loss on debtors, deposits and prepayments	–	16,245
Cash inflow before working capital changes	3,185,392	1,953,914
Increase in finance lease receivables	(3,590)	(55,818)
(Increase)/decrease in debtors, deposits and prepayments	(574,471)	966,721
Decrease in inventories	118,146	86,784
Increase in trading securities	(542,884)	(531,196)
Decrease/(increase) in advances to customers	801,568	(949,472)
(Increase)/decrease in financial assets at fair value through profit or loss	(6,140,185)	847,955
Decrease in amount due from an associate	253,704	–
Increase in other financial liabilities	3,177,757	396,779
Increase/(decrease) in creditors, deposits received and accrued charges	254,012	(1,307,601)
Hong Kong profits tax paid	(44,362)	(2,795)
Overseas profits tax paid	(421,980)	(215,517)
Net cash inflow from operating activities	63,107	1,189,754

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

(b) Deemed disposal of a subsidiary

On 29 November 2019, a wholly-owned subsidiary, ESH, entered into an investment agreement and agreed to allot and issue, in each case subject to the fulfilment of certain conditions, all of the Subscription Shares at the aggregate Subscription Price of RMB612,080,000 to new investors.

Following the transfer of risks and rewards to the new investors, the Group's share in ESH was reduced to approximately 49.29%. ESH was ceased to be a subsidiary of the Group and be accounted for as an associate of the Group.

	2019 HK$'000
Fair values of identifiable assets acquired and liabilities assumed	661,105
Less: Cash of a subsidiary	(51,474)
	609,631
Net assets disposed of:	
Less: Other debtors and prepayment	(830,401)
Add: Creditors, deposits received and accrued charges	410,527
Add: Exchange Reserve	4,472
Gain on deemed disposal of an investment in a subsidiary	194,229

(c) Losing control of subsidiaries

During the year ended 31 December 2020, the Group disposed of 76% equity interest in a subsidiary to associates and recognised the remaining interests as investment in an associate. The fair values of the assets and liabilities disposed of were as follows:

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

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

(c) Losing control of subsidiaries (continued)

During the year ended 31 December 2019, the Group lost control of certain subsidiaries. The fair values of the assets and liabilities disposed of were as follows:

	2019 HK$'000
Consideration from losing control of subsidiaries	31,925
Less: Cash of subsidiaries	(4,375)
Net cash inflow from losing control of subsidiaries	27,550
Less: Debtors, deposits and prepayment	(4,660)
Add: Creditors, deposits received and accrued charges	235
Gain on disposal of subsidiaries	23,125

(d) Changes in liabilities arising from financing activities

	1 January 2020 HK$'000	Net cash flows HK$'000	Foreign exchange movement HK$'000	Dividend declared HK$'000	Other HK$'000	31 December 2020 HK$'000
Bank loans	18,985,848	(266,044)	188,844	–	–	18,908,648
Notes payable	57,000	(30,000)	–	–	–	27,000
Dividend payable	–	(623,544)	–	623,544	–	–
Bonds payable	11,917,865	–	751,585	–	–	12,669,450
Lease liabilities	131,799	(52,978)	4,177	–	22,831	105,829
Total liabilities from financing activities	31,092,512	(972,566)	944,606	623,544	22,831	31,710,927

	1 January 2019 HK$'000	Net cash flows HK$'000	Foreign exchange movement HK$'000	Acquisition/ (disposal) of a subsidiary HK$'000	Dividend declared HK$'000	Other HK$'000	31 December 2019 HK$'000
Bank loans	14,185,973	1,140,561	(55,658)	3,714,972	–	–	18,985,848
Notes payable	57,000	–	–	–	–	–	57,000
Dividend payable	–	(1,095,414)	–	–	1,095,414	–	–
Bonds payable	11,840,010	196,190	(118,335)	–	–	–	11,917,865
Lease liabilities	631,716	(60,780)	(1,559)	(492,243)	–	54,665	131,799
Total liabilities from financing activities	26,714,699	180,557	(175,552)	3,222,729	1,095,414	54,665	31,092,512

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

(e) Restatement of classification and presentation of cash flows

Consolidated statement of cash flows

During the year, management reviewed the accounting policy on its classification in the consolidated statement of cash flows in accordance with HKAS 7 *Statements of Cash Flows* and considered that a change of presentation of the following items can provide reliable and more relevant information to the readers of the financial statements to understand the operations of the Group and its financial resources needed to support such operations:

1) Cash flows related to the Group's investment holding business

In prior years, the cash flows related to the Group's investment holding business, such as the purchase/disposal of financial assets at fair value through profit or loss, the dividend receipt and the increase/decrease in other financial liabilities related to the third party interest in consolidated funds, were classified as part of the investing cash flows. During the year, management reviewed and considered that the Group's investment/divestment activities are gaining importance to generate sufficient cash flows to repay loans, maintain the operating capability of the Group, pay dividends and make new investments and it also represented the principal revenue-producing activities of the Group that determined the profit or loss. Accordingly, such cash flows were reclassified to operating cash flows.

2) Cash flows related to the Group's interest payments on loans and borrowings

In prior years, the cash flows related to the Group's interest payments on loans and borrowings were classified as part of the operating cash flows as it determined the profit or loss of the Group. During the year, management reviewed the cash flows and considered that the interest expenses are gaining significance which it represented the costs of obtaining financial resources to support the Group's capital structure. Accordingly, such cash flows were reclassified to financing cash flows.

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

(e) Restatement of classification and presentation of cash flows (continued)

Consolidated statement of cash flows (continued)

Cash flows items	1 January to 31 December 2020 (Classification as original) HK$'000	Impact of the reclassification HK$'000	1 January to 31 December 2020 (Classification as revised) HK$'000
Operating activities			
Dividend income	(757,446)	391,569	(365,877)
Net realised gain on disposal of financial assets at fair value through profit or loss	(1,812,233)	1,812,233	–
Net unrealised loss on financial assets at fair value through profit or loss	(753,437)	753,437	–
Increase in financial assets at fair value through profit or loss	–	(6,140,185)	(6,140,185)
Increase in other financial liabilities	–	3,177,757	3,177,757
Interest paid	(1,073,356)	1,073,356	–
Other cash flows arising from operating activities	3,391,412	–	3,391,412
Net cash (used in)/generated from operating activities	(1,005,060)	1,068,167	63,107
Investing activities			
Purchase of financial assets at fair value through profit or loss	(8,896,306)	8,896,306	–
Proceeds from disposal of financial assets at fair value through profit or loss	5,615,426	(5,615,426)	–
Increase in other financial liabilities	2,884,122	(2,884,122)	–
Dividends received from investments	757,446	(391,569)	365,877
Other cash flows arising from investing activities	1,466,746	–	1,466,746
Net cash generated from investing activities	1,827,434	5,189	1,832,623
Financing activities			
Interests paid	–	(1,073,356)	(1,073,356)
Other cash flows arising from financing activities	1,151,267	–	1,151,267
Net cash generated from financing activities	1,151,267	(1,073,356)	77,911

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

(e) Restatement of classification and presentation of cash flows (continued)

Consolidated statement of cash flows (continued)

Cash flows items	1 January to 31 December 2019 (As previously reported) HK$'000	Impact of the reclassification HK$'000	1 January to 31 December 2019 (Restated) HK$'000
Operating activities			
Dividend income	(822,067)	526,894	(295,173)
Net realised gain on disposal of financial assets at fair value through profit or loss	(1,235,383)	1,235,383	–
Net unrealised loss on financial assets at fair value through profit or loss	(225,589)	225,589	–
Increase in financial assets at fair value through profit or loss	–	847,955	847,955
(Increase)/decrease in debtors, deposits and prepayments	970,395	(3,674)	966,721
Increase in other financial liabilities	–	396,779	396,779
Interest paid	(1,132,855)	1,132,855	–
Other cash flows arising from operating activities	(726,528)	–	(726,528)
Net cash (used in)/generated from operating activities	(3,172,027)	4,361,781	1,189,754
Investing activities			
Purchase of financial assets at fair value through profit or loss	(4,839,458)	4,839,458	–
Proceeds from disposal of financial assets at fair value through profit or loss	7,188,605	(7,188,605)	–
Increase in other financial liabilities	356,559	(356,559)	–
Dividends received from investments	818,393	(523,220)	295,173
Other cash flows arising from investing activities	130,752	–	130,752
Net cash generated from investing activities	3,654,851	(3,228,926)	425,925
Financing activities			
Interests paid	–	(1,132,855)	(1,132,855)
Other cash flows arising from financing activities	(402,319)	–	(402,319)
Net cash used in financing activities	(402,319)	(1,132,855)	(1,535,174)

42. SEGMENT INFORMATION

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

Fund Management Business

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

- Primary market investment: Investment in unlisted equity securities or equity derivatives with equity position for participating in the ongoing management of these companies, and with an ultimate objective of capital gain on investee's equity listing or through other exit channels. Areas of investments include new economy, artificial intelligence and advanced manufacturing, new energy, medical care and senior healthcare, overseas acquisition and infrastructure, real estate, aircraft industry chain, mezzanine fund and others.

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

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

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

Principal Investments Business

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

- Strategic industry platform investments: Focusing on aircraft leasing, artificial intelligence of things (AIoT) and elderly care industry platforms;

- Financial investments: Investing in equity, debts, structured products and other products; and

- Cornerstone investments: The Group's stake in China Everbright Bank and Everbright Securities contributing relative stable earnings and dividend income.

42. SEGMENT INFORMATION (continued)

(a) Business segments

For the year ended 31 December 2020:

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

42. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

For the year ended 31 December 2019:

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

42. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Other Information

As at 31 December 2020

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

As at 31 December 2019

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

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 2020			For the year ended 31 December 2019		
	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Segment revenue						
Income from contracts with customers	223,730	316,689	540,419	242,373	369,405	611,778
Income from investments	323,905	4,013,790	4,337,695	487,731	3,236,580	3,724,311
Income from other sources	25,766	82,377	108,143	1,211	269,043	270,254
	573,401	4,412,856	4,986,257	731,315	3,875,028	4,606,343

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Specified non-current assets	2,343,151	24,085,594	26,428,745	3,181,413	22,413,902	25,595,315

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 and prepayments

The impairment provisions for amortised receivables are based on assumptions about ECLs. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience, market benchmark and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss.

(iii) Tax provision

The Group's taxation provision is based on management's assessment of the estimated assessable profits for the year taking into consideration tax legislations in Hong Kong and the relevant overseas jurisdictions.

(b) Critical accounting judgements in applying the Group's accounting policies

(i) Structured entities managed by the Group and its affiliates

The Group and its affiliates, acting as the general partners or investment managers to a number of structured entities (investment funds and collective investment schemes), have provided seed capital for the set up of these structured entities. When determining whether the Group controls these structured entities, usually the level of aggregate economic interests of the Group in these funds and the level of investors' rights to remove the general partners or investment managers are considered. The Group determines that it has no control over some structured entities since the level of aggregate economic interests of the Group in those structured entities is not so significant that it gives the Group control over the structured entities, or the Group cannot control the general partners or investment managers, after taking into consideration the level of investors' rights to remove the general managers or investment managers and the power of other investors over the general partners or investment managers. The Group determines that it has control over some structured entities and has consolidated them. Further details of unconsolidated structured entities are set out in note 38.

(ii) Involvement with unconsolidated structured entities

Disclosures of interests in unconsolidated structured entities provide information on involvement in these entities which exposes the Group to variability of returns from the performance of the other entity. Involvement is considered on a case-by-case basis, taking into account the nature of the entity's activity. This could include holding debt and equity instruments, or the provision of structured derivatives, but excludes involvement that exists only because of typical customer supplier relationships, such as market-making transactions to facilitate secondary trading or senior lending in the normal course of business.

43. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Critical accounting judgements in applying the Group's accounting policies (continued)

(iii) Impairment of investment in an associate – Jiabao Group

As at 31 December 2020, the Group's carrying value of its investments in Jiabao Group, an associate of the Group, amounted to HK$4,069,036,000. For impairment testing, the Group has performed an impairment assessment and calculated the value-in-use of Jiabao Group, using a discounted cash flow model with a forecast compiled by the management of Jiabao Group. In carrying out the impairment assessments, significant judgements and assumptions are required to estimate the value-in-use which was estimated based on a management forecast.

44. BANKING FACILITIES AND PLEDGE OF ASSETS

Aggregate banking facilities of the Group as at 31 December 2020 amounted to HK$27.3 billion (2019: HK$24.9 billion). The Group has utilised HK$18.9 billion (2019: HK$19.0 billion) of these facilities.

As at 31 December 2020, restricted bank balances of approximately HK$65.7 million were pledged to the banks for sales of mortgaged properties to customers and interest reserve account on borrowings, and approximately HK$373.5 million were used to secure banking facilities and other borrowings granted to the Group entities. Investment properties, shares and inventories with carrying value of approximately HK$4,645 million, HK$1,527 million and HK$425 million, respectively, are mortgaged to secure certain bank loans granted to the Group. Pursuant to the prime brokerage agreements entered 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 2020, assets deposited with the prime brokers included HK$1,798 million and HK$72 million which formed part of the Group's trading securities and debtors respectively. For details of bank balances pledged, please refer to Note 24.

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

45. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

45. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

46. IMPORTANT EVENT AFTER THE REPORTING DATE

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

47. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 155 to 253 were approved and authorised for issue by the Board of Directors on 18 March 2021.

FINANCIAL SUMMARY

RESULTS

	For the years ended 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000
Turnover	8,069,450	8,454,405	9,211,012	12,617,142	22,682,402
Operating profit after finance costs	5,440,414	3,565,481	2,683,306	1,850,640	2,598,936
Net gain on deemed disposal of interests in associates	160,631	–	–	–	–
Share of profits less losses of associates and joint ventures	1,301,323	1,372,474	700,982	912,167	606,320
Profit before taxation	6,902,368	4,937,955	3,384,288	2,762,807	3,205,256
Income tax	(1,308,119)	(853,497)	(380,099)	(551,037)	(948,118)
Profit from continuing operations	5,594,249	4,084,458	3,004,189	2,211,770	2,257,138
Discontinued operations	78,747	207,604	6,775	–	–
Profit for the year	5,672,996	4,292,062	3,010,964	2,211,770	2,257,138
Attributable to:					
Equity shareholders of the Company	4,074,382	4,148,342	3,103,917	2,237,166	2,264,175
Holders of senior perpetual capital securities	–	–	–	–	15,736
Non-controlling interests	1,598,614	143,720	(92,953)	(25,396)	(22,773)
	5,672,996	4,292,062	3,010,964	2,211,770	2,257,138
Earnings per share (HK$)	2.418	2.461	1.842	1.327	1.344

ASSETS AND LIABILITIES

	As at 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000
Total assets	67,495,336	72,918,271	77,260,764	86,496,483	96,974,800
Total liabilities	(28,008,941)	(30,573,276)	(35,880,567)	(42,709,113)	(47,541,819)
Senior perpetual capital securities	–	–	–	–	(2,341,276)
Non-controlling interests	(2,276,904)	(1,674,584)	(1,521,535)	(2,196,045)	(1,654,688)
Shareholders' fund	37,209,491	40,670,411	39,858,662	41,591,325	45,437,017

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

Zhao Wei (Chairman)
Zhang Mingao
Tang Chi Chun Richard
Yin Lianchen
Lin Zhijun*
Chung Shui Ming Timpson*
Law Cheuk Kin Stephen*

* Independent Non-executive Directors

COMPANY SECRETARY

Chan Ming Kin Desmond

REGISTERED OFFICE

46th Floor
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16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

China Everbright Bank Company Limited
Industrial and Commercial Bank of China (Asia) Limited
China Construction Bank Corporation
Agricultural Bank of China Limited
Bank of Communications Company, Limited
China Minsheng Banking Corporation Limited, Hong Kong Branch
DBS Bank Ltd., Hong Kong Branch

SHARE REGISTRAR

Tricor Secretaries Limited
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183 Queen's Road East
Hong Kong

AUDITORS

Ernst & Young

WEBSITE ADDRESS

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