



**光大控股**  
EVERBRIGHT LIMITED

The Power to *Transform*  
專注致遠 順勢有為

stock code : 165  
INTERIM REPORT 2022

TRANSCEND  
THE UNSEEN WITH FORESIGHT  
以遠見 超越未見

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## BOARD OF DIRECTORS

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

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

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

## COMPANY SECRETARY

Wan Kim Ying Kasina

## REGISTERED OFFICE

46th Floor  
Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## CORPORATE INFORMATION

### PRINCIPAL BANKERS

China Everbright Bank Company Limited  
Industrial and Commercial Bank of  
China (Asia) Limited  
China Construction Bank Corporation  
Agricultural Bank of China Limited  
Bank of Communications Company,  
Limited  
Bank of China (Hong Kong) Limited  
Shanghai Pudong Development Bank  
Co., Ltd, Hong Kong Branch

### SHARE REGISTRAR

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

### AUDITORS

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

### WEBSITE ADDRESS

<http://www.everbright.com>

### INVESTOR RELATIONS CONTACT

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

### STOCK CODE

165

## INTERIM RESULTS

The board of directors (the “Board” or the “Director(s)”) of China Everbright Limited (the “Company” or “CEL”) presents the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2022. The interim financial report is unaudited, but has been reviewed by Ernst & Young (the auditor of the Company) in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, whose review report is included on pages 60 to 61. The interim financial report has also been reviewed by the Company’s Audit and Risk Management Committee.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Note	1 January to 30 June 2022 HK\$'000	1 January to 30 June 2021 HK\$'000
Turnover	3	3,900,691	15,276,825
Income from contracts with customers	3	395,143	328,161
Net (loss)/income from investments	3	(2,644,264)	2,062,938
<i>Interest income</i>		222,903	244,489
<i>Dividend income</i>		1,061,157	598,273
<i>Realised gain on investments</i>		112,363	585,977
<i>Unrealised (loss)/gain on investments</i>		(4,054,993)	607,527
<i>Others</i>		14,306	26,672
Income from other sources		58,301	(2,721)
Impairment losses		(27,750)	(14,100)
Operating expenses		(447,353)	(541,418)
(Loss)/profit from operations	4	(2,665,923)	1,832,860
Finance costs		(465,095)	(459,784)
Share of profits less losses of associates	9	393,000	724,408
Share of profits less losses of joint ventures	10	6,893	19,983
(Loss)/profit before taxation		(2,731,125)	2,117,467
Income tax credit/(expenses)	5	35,054	(303,983)
<b>(Loss)/profit for the period</b>		<b>(2,696,071)</b>	<b>1,813,484</b>
<b>Attributable to:</b>			
Equity shareholders of the Company		(2,654,846)	1,780,742
Holders of senior perpetual capital securities	21	44,334	43,992
Non-controlling interests		(85,559)	(11,250)
<b>(Loss)/profit for the period</b>		<b>(2,696,071)</b>	<b>1,813,484</b>
<b>Basic and diluted (loss)/earnings per share</b>	7	<b>HK\$(1.575)</b>	<b>HK\$1.057</b>

The notes on pages 11 to 59 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company attributable to the period are set out in note 6.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

Note	1 January to 30 June 2022 HK\$'000	1 January to 30 June 2021 HK\$'000
(Loss)/profit for the period	(2,696,071)	1,813,484
<b>Other comprehensive (loss)/income for the period:</b>		
Items that will not be reclassified subsequently to profit or loss		
– Net movement in investment revaluation reserve of equity investments designated at fair value through other comprehensive income	(850,812)	(311,271)
Items that may be reclassified subsequently to profit or loss		
– Share of other comprehensive income and effect of foreign currency translation of associates	(656,671)	208,688
– Share of other comprehensive income and effect of foreign currency translation of joint ventures	(42,735)	10,985
– Other net movement in exchange reserve	(882,924)	67,887
	(2,433,142)	(23,711)
<b>Total comprehensive (loss)/income for the period</b>	<b>(5,129,213)</b>	<b>1,789,773</b>
<b>Attributable to:</b>		
Equity shareholders of the Company	(4,730,916)	1,835,156
Holders of senior perpetual capital securities	44,334	43,992
Non-controlling interests	(442,631)	(89,375)
	21	
<b>Total comprehensive (loss)/income for the period</b>	<b>(5,129,213)</b>	<b>1,789,773</b>

The notes on pages 11 to 59 form part of this interim financial report.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June 2022 HK\$'000	31 December 2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		554,845	597,542
Investment properties	8	5,246,850	5,352,758
Investments in associates	9	20,039,749	20,418,441
Investments in joint ventures	10	1,007,245	1,061,340
Equity investments designated at fair value through other comprehensive income	11	5,535,532	6,386,344
Financial assets at fair value through profit or loss	12	40,749,905	45,932,860
Advances to customers	13	–	454,178
Finance lease receivables		24,994	41,701
		73,159,120	80,245,164
<b>Current assets</b>			
Financial assets at fair value through profit or loss	12	2,584,978	4,101,670
Advances to customers	13	2,945,140	2,957,788
Inventories		1,665,466	1,742,448
Debtors, deposits, prepayments and others	14	2,606,490	2,339,669
Trading securities	15	2,999,116	3,251,394
Cash and cash equivalents		10,353,968	7,155,428
		23,155,158	21,548,397

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *continued*

As at 30 June 2022

	Note	30 June 2022 HK\$'000	31 December 2021 HK\$'000
<b>Current liabilities</b>			
Trading securities	15	(419,011)	(454,660)
Creditors, deposits received and accrued charges	16	(3,048,784)	(3,237,957)
Bank loans	17	(10,064,099)	(9,970,601)
Bonds payable	18	(4,215,899)	(5,698,905)
Other financial liabilities	19	(221,855)	(171,818)
Notes payable		(27,000)	(27,000)
Lease liabilities		(32,722)	(39,202)
Provision for taxation		(564,274)	(693,348)
		(18,593,644)	(20,293,491)
<b>Net current assets</b>		4,561,514	1,254,906
<b>Total assets less current liabilities</b>		77,720,634	81,500,070
<b>Non-current liabilities</b>			
Bank loans	17	(10,336,613)	(11,895,755)
Bonds payable	18	(11,813,390)	(7,338,540)
Other financial liabilities	19	(7,084,791)	(7,800,959)
Lease liabilities		(37,088)	(53,173)
Deferred tax liabilities		(3,123,374)	(3,375,113)
		(32,395,256)	(30,463,540)
<b>NET ASSETS</b>		45,325,378	51,036,530

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *continued*

As at 30 June 2022

	Note	30 June 2022 HK\$'000	31 December 2021 HK\$'000
<b>CAPITAL AND RESERVES</b>			
Share capital	20	9,618,097	9,618,097
Reserves		32,090,454	37,318,228
<b>Attributable to:</b>			
Equity shareholders of the Company		41,708,551	46,936,325
Holders of senior perpetual capital securities	21	2,340,878	2,341,161
Non-controlling interests		1,275,949	1,759,044
<b>TOTAL EQUITY</b>		<b>45,325,378</b>	<b>51,036,530</b>

The notes on pages 11 to 59 form part of this interim financial report.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Note	Attributable to equity shareholders of the Company										
		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 2022		9,618,097	1,242	4,979,155	(664,792)	(96,162)	2,145,494	30,953,291	46,936,325	2,341,161	1,759,044	51,036,530
Net movement by non-controlling shareholders		-	-	-	-	18,786	-	-	18,786	-	(40,464)	(21,678)
Dividends paid	6(b)	-	-	-	-	-	-	(505,576)	(505,576)	-	-	(505,576)
Distribution to holders of senior perpetual capital securities	21	-	-	-	-	-	-	-	-	(44,617)	-	(44,617)
Share of capital reserve of an associate		-	-	-	-	(10,068)	-	-	(10,068)	-	-	(10,068)
Profit/(loss) for the period		-	-	-	-	-	-	(2,654,846)	(2,654,846)	44,334	(85,559)	(2,696,071)
Other comprehensive loss for the period		-	-	(850,812)	-	-	(1,225,258)	-	(2,076,070)	-	(357,072)	(2,433,142)
As at 30 June 2022		9,618,097	1,242	4,128,343	(664,792)	(87,444)	920,236	27,792,869	41,708,551	2,340,878	1,275,949	45,325,378
For the six months ended 30 June 2021		9,618,097	1,242	6,048,772	(666,409)	(99,887)	1,093,041	29,442,161	45,437,017	2,341,276	1,654,688	49,432,981
Net movement by non-controlling shareholders		-	-	-	-	-	-	-	-	-	171,451	171,451
Dividends paid	6(b)	-	-	-	-	-	-	(589,839)	(589,839)	-	-	(589,839)
Transaction between non-controlling shareholders		-	-	-	-	2,283	-	-	2,283	-	-	2,283
Distribution to holders of senior perpetual capital securities		-	-	-	-	-	-	-	-	(44,323)	-	(44,323)
Share of capital reserve of associates		-	-	-	-	8,700	-	-	8,700	-	-	8,700
Profit/(loss) for the period		-	-	-	-	-	-	1,780,742	1,780,742	43,992	(11,250)	1,813,484
Other comprehensive income/(loss) for the period		-	-	(311,271)	-	-	365,685	-	54,414	-	(78,125)	(23,711)
As at 30 June 2021		9,618,097	1,242	5,737,501	(666,409)	(88,904)	1,458,726	30,633,064	46,693,317	2,340,945	1,736,764	50,771,026

The notes on pages 11 to 59 form part of this interim financial report.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	1 January to 30 June 2022 HK\$'000	1 January to 30 June 2021 HK\$'000
<b>Operating activities</b>		
Cash generated from/(used in) operations	1,968,998	(2,502,048)
Tax paid	(210,266)	(247,030)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,758,732</b>	<b>(2,749,078)</b>
<b>Investing activities</b>		
Proceeds from partial disposal of an associate	76,649	–
(Increase)/decrease in restricted cash	(38,389)	27,402
Net cash outflow from losing control of subsidiaries	–	(463,741)
Other cash flows arising from investing activities	433,614	96,147
<b>Net cash inflow/(outflow) from investing activities</b>	<b>471,874</b>	<b>(340,192)</b>
<b>Financing activities</b>		
Net (repayments)/borrowings of bank loans	(1,465,644)	2,295,636
Net proceeds from issuance and repayment of bonds payable	3,582,024	4,807,240
Repayment of lease liabilities	(21,969)	(20,373)
Interest paid	(404,249)	(204,457)
Dividends paid	(505,576)	(589,839)
Dividends paid to non-controlling shareholders	–	(48,228)
Distribution to holders of senior perpetual capital securities	(44,617)	(44,323)
Other cash flows arising from financing activities	5,166	199,817
<b>Net cash inflow from financing activities</b>	<b>1,145,135</b>	<b>6,395,473</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,375,741</b>	<b>3,306,203</b>
<b>Cash and cash equivalents</b>		
Beginning of the period	6,894,260	8,860,137
Exchange rate adjustments	(215,590)	154,594
End of the period	<b>10,054,411</b>	<b>12,320,934</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash-general accounts	10,353,968	12,732,780
Restricted cash	(299,557)	(411,846)
End of the period	<b>10,054,411</b>	<b>12,320,934</b>

## LOSING CONTROL OF SUBSIDIARIES

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

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

## NOTES TO THE FINANCIAL REPORT

For the six months ended 30 June 2022

### 1. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised by the Board for issuance on 25 August 2022.

The financial information relating to the year ended 31 December 2021 that is included in the unaudited interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company’s auditor, Ernst & Young, has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

Classification of operating segment units under the Business Segment Analysis have been revised to conform to the latest business model of the Group. This classification is reported on the same basis as the analysis on business performance used by management.

The comparative information of the above has been restated to conform to the current period’s presentation.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for those described in note 2.

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

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

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

*NOTES TO THE FINANCIAL REPORT continued**For the six months ended 30 June 2022***2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES** (continued)

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. The amendments did not have any significant impact on the Group's financial statements.

*NOTES TO THE FINANCIAL REPORT continued*

For the six months ended 30 June 2022

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

- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. The amendments did not have any 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.

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

Turnover from operations represents the aggregate of service fee income, sales of inventories, interest income, dividend income, rental income from investment properties, rental income from finance leases and gross sale proceeds from disposal of trading securities of secondary market investments, in which the turnover of derivatives is defined as the absolute net profit or loss.

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

3. TURNOVER, INCOME FROM CONTRACTS WITH CUSTOMERS AND INVESTMENTS *(continued)*

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

	1 January to 30 June 2022 HK\$'000	1 January to 30 June 2021 HK\$'000
<b>Income from contracts with customers</b>		
Recognised over time		
Management fee income	150,082	181,029
Rental income from investment properties	102,261	85,997
Recognised at a point in time		
Consultancy fee and performance fee income	142,392	57,770
Sales of inventories	408	25,398
Cost of sales	–	(22,033)
	395,143	328,161
<b>Net (loss)/income from investments</b>		
Interest income		
Financial assets not at fair value through profit or loss		
Bank deposits	39,238	70,721
Advances to customers	139,092	138,770
Debt investments	44,573	34,998
Dividend income		
Financial assets at fair value through profit or loss and trading securities	688,660	195,711
Equity investments designated at fair value through other comprehensive income	372,497	402,562
Realised gain on investments		
Net realised gain on financial assets at fair value through profit or loss	132,104	451,201
Realised (loss)/gain on trading securities	(19,741)	134,776
Unrealised (loss)/gain on investments		
Change of unrealised (loss)/gain on financial assets at fair value through profit or loss	(3,880,384)	683,186
Change of unrealised loss on trading securities	(174,609)	(75,659)
Others		
Realised gain on partial disposal of an associate	14,306	–
Gain on losing control of subsidiaries	–	26,672
	(2,644,264)	2,062,938

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 4. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is stated after charging the following:

	1 January to 30 June 2022 HK\$'000	1 January to 30 June 2021 HK\$'000
Depreciation and amortisation expenses	35,476	33,015
Employee expenses (wages, bonuses and allowances)	148,917	242,397

## 5. INCOME TAX

The provision for Hong Kong profits tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the six months ended 30 June 2022. Taxation for overseas subsidiaries is calculated at the appropriate current rates of taxation in the relevant tax jurisdictions.

The amount of taxation (credited)/charged to the condensed consolidated statement of profit or loss represents:

	1 January to 30 June 2022 HK\$'000	1 January to 30 June 2021 HK\$'000
Current taxation		
– Hong Kong profits tax	684	23,640
– Overseas taxation	90,017	320,624
Deferred taxation		
– Deferred taxation relating to the reversal and origination of temporary differences	(125,755)	(40,281)
Income tax	(35,054)	303,983

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 6. DIVIDENDS

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

	1 January to 30 June 2022 HK\$'000	1 January to 30 June 2021 HK\$'000
– Interim dividend declared after the end of the reporting period of HK\$0.15 (six months ended 30 June 2021: HK\$0.28) per share	252,788	471,871

Subsequent to the period end, the Board of Directors declared an interim dividend of HK\$0.15 per share (six months ended 30 June 2021: HK\$0.28 per share) for the six months period ended 30 June 2022. The declared dividend is not reflected as dividend payable in the financial statements.

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

	1 January to 30 June 2022 HK\$'000	1 January to 30 June 2021 HK\$'000
– Final dividend in respect of the previous financial year, approved and paid during the period of HK\$0.30 (six months ended 30 June 2021: HK\$0.35) per share	505,576	589,839

## 7. (LOSS)/EARNINGS PER SHARE

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

The calculation of basic and diluted (loss)/earnings per share for the six months period ended 30 June 2022 is based on the loss attributable to equity shareholders of the Company of HK\$2,654,846,000 (six months ended 30 June 2021: profit attributable to equity shareholders of the Company of HK\$1,780,742,000) and the weighted average number of 1,685,253,712 shares (six months ended 30 June 2021: 1,685,253,712 shares) in issue during the period.

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 8. INVESTMENT PROPERTIES

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
As at 1 January	5,352,758	5,547,897
Additions	–	60,778
Disposals	–	(1,805)
Net gain/(loss) on revaluation of investment properties	126,000	(382,979)
Reclassification	–	(23,565)
Exchange adjustment	(231,908)	152,432
As at 30 June 2022/31 December 2021	5,246,850	5,352,758

## 9. INVESTMENTS IN ASSOCIATES

## (a) Investments in associates

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Carrying value, net (note)	20,039,749	20,418,441
Market value of shares listed in mainland China	19,413,364	19,100,996
Market value of shares listed in Hong Kong	1,425,591	1,621,149

Note:

As at 30 June 2022, the Group's net carrying value of its investment in Everbright Jiabao Co., Ltd ("Everbright Jiabao"), an associate of the Group, amounted to HK\$3,739,726,000 (31 December 2021: HK\$3,919,473,000).

As at 30 June 2022, there was an indication that the investment in Everbright Jiabao may be impaired as the carrying value of the net assets of Everbright Jiabao was more than its market capitalisation.

The Group has reassessed the recoverable amount of Everbright Jiabao as at 30 June 2022 and concluded that no additional impairment loss is required for the period.

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 9. INVESTMENTS IN ASSOCIATES (continued)

## (a) Investments in associates (continued)

During the year ended 31 December 2021, the Group has engaged an external specialist to estimate the value-in-use of Everbright Jiabao using a discounted cash flow model. As at 31 December 2021, the recoverable amount of Everbright Jiabao was lower than the carrying value, hence, impairment loss on investment in an associate amounting to HK\$400,000,000 was recognised during the year ended 31 December 2021. The pre-tax discount rates applied in the cash flow projection of different key business operations of Everbright Jiabao ranged from 7.9% to 12.3% and the perpetual growth rate was 2.2%.

## (b) As at 30 June 2022, particulars of principal investments in associates of the Group are as follows:

Name of associate	Place of incorporation/ operation	Principal activities	Percentage of equity interest held by the Company
Everbright Securities Company Limited* ("Everbright Securities")	The PRC	Securities operations (note 1)	20.73%
China Aircraft Leasing Group Holdings Limited** ("CALC")	Cayman Islands	Investment holding (note 2)	38.12%*
Everbright Jiabao***	The PRC	Real estate development/ real estate assets management (note 3)	29.17%*
China Everbright Senior Healthcare Company Limited ("Everbright Senior Healthcare")	Hong Kong	Providing senior health care services (note 4)	49.29%* (note 5)

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 9. INVESTMENTS IN ASSOCIATES (continued)

## (b) As at 30 June 2022, particulars of principal investments in associates of the Group are as follows: (continued)

- # Market value of the listed shares in mainland China as at 30 June 2022 was equivalent to HK\$17,618,094,000 (31 December 2021: HK\$17,538,832,000).
- ## Market value of the listed shares in Hong Kong as at 30 June 2022 was HK\$1,425,591,000 (31 December 2021: HK\$1,621,149,000).
- ### Market value of the listed shares in mainland China as at 30 June 2022 was equivalent to HK\$1,795,270,000 (31 December 2021: HK\$1,562,164,000).
- \* Held indirectly

Note 1: Everbright Securities is the Group's cornerstone investment, with an investment cost of HK\$1,497,149,000 (31 December 2021: HK\$1,504,118,000). During the period, the Group's equity interest in Everbright Securities was decreased from 20.83% to 20.73% as a result of partial disposal.

Note 2: CALC is the Group's key investee engaged in providing full life-cycle aircraft leasing solutions. During the six months ended 30 June 2022, the Group's equity interest in CALC was increased from 37.91% to 38.12% as a result of CALC's share buy-back.

Note 3: Everbright Jiabao is the Group's major investee engaged in real estate development and asset management in mainland China.

Note 4: Everbright Senior Healthcare is the Group's key investee to provide integrated senior health care services including elderly health care, geriatric treatment, rehabilitation and community services in mainland China.

Note 5: As at 30 June 2022, the Group did not control the board of directors of Everbright Senior Healthcare. Upon the completion of the procedures of share subscription by an investor with investment amount of RMB50 million, the Group's equity interests in Everbright Senior Healthcare stands at 49.29%.

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

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 10. INVESTMENTS IN JOINT VENTURES

## (a) Investments in joint ventures

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Carrying value, net	1,007,245	1,061,340

## (b) As at 30 June 2022, details of the Group's principal investments in joint ventures are as follows:

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

Note 3: CEL Capital Prestige Asset Management Co., Ltd. is a joint venture of the Group and an asset management institution established under approval of the China Securities Regulatory Commission.

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

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
At fair value:		
Listed equity securities – outside Hong Kong	5,535,532	6,386,344

The Group designated the investment in China Everbright Bank Company Limited (“China Everbright Bank”) as financial assets at fair value through other comprehensive income because the Group intends to hold for the long-term strategic purposes. The investment cost of the Group’s investment in China Everbright Bank is HK\$1,407,189,000 (31 December 2021: HK\$1,407,189,000).

No disposal was made during the six months ended 30 June 2022, and there were no transfers of any cumulative gain or loss within equity relating to this investment (six months ended 30 June 2021: Nil).

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
<b>Non-current assets</b>		
At fair value:		
Listed equity securities		
– outside Hong Kong	153,826	–
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	31,882,234	37,246,630
Unlisted preference shares		
– outside Hong Kong	8,347,009	8,309,392
Unlisted debt securities		
– outside Hong Kong	366,836	376,838
	40,749,905	45,932,860
<b>Current assets</b>		
At fair value:		
Listed equity securities		
– in Hong Kong	888,251	1,610,147
– outside Hong Kong	639,837	872,722
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	427,474	458,581
Unlisted debt securities		
– outside Hong Kong	629,416	1,160,220
	2,584,978	4,101,670

As at 30 June 2022, the Group's listed and unlisted equity securities amounting to a fair value of HK\$29,282,165,000 (31 December 2021: HK\$34,677,673,000) were investments in associates and joint ventures. The Group was exempted from applying the equity method to these investments and they were measured as financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

**12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** (continued)

During the six months ended 30 June 2022, the Group had certain unlisted financial assets at fair value through profit or loss recorded at a purchase price which was below the fair value at inception that would be determined at that date using a valuation technique. According to the Group's accounting policy, the difference yet to be recognised in the condensed consolidated statement of profit or loss at the beginning and the end of the period/year is as follows:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
As at 1 January	251,951	245,013
Released during the period/year	(4,493)	–
Exchange adjustment	(10,492)	6,938
As at 30 June 2022/31 December 2021	236,966	251,951

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 13. ADVANCES TO CUSTOMERS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
<b>Non-current assets</b>		
Term loans to customers – secured	–	454,289
<b>Current assets</b>		
Term loans to customers – secured	1,412,228	1,346,521
– unsecured	1,876,858	1,949,342
	3,289,086	3,295,863
Total term loans to customers	3,289,086	3,750,152
Less: Impairment allowance	(343,946)	(338,186)
Net carrying value	2,945,140	3,411,966

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

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 2022	3,415,641	34,515	299,996	3,750,152
New assets originated or purchased	183,198	–	–	183,198
Assets derecognised or repaid	(539,588)	(13,056)	–	(552,644)
Transfer from Stage 1 to Stage 2	(47,097)	47,097	–	–
Exchange difference	(91,747)	127	–	(91,620)
As at 30 June 2022	2,920,407	68,683	299,996	3,289,086

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 13. ADVANCES TO CUSTOMERS (continued)

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 January 2021	2,155,516	34,297	299,996	2,489,809
New assets originated or purchased	2,734,297	-	-	2,734,297
Assets derecognised or repaid	(1,521,226)	-	-	(1,521,226)
Exchange difference	47,054	218	-	47,272
As at 31 December 2021	3,415,641	34,515	299,996	3,750,152

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

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 January 2022	27,050	11,140	299,996	338,186
Other changes (including new assets and derecognised assets)	(2,770)	8,530	-	5,760
As at 30 June 2022	24,280	19,670	299,996	343,946

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 January 2021	8,442	6,558	299,996	314,996
Other changes (including new assets and derecognised assets)	18,608	4,582	-	23,190
As at 31 December 2021	27,050	11,140	299,996	338,186

Except for the above impairment allowance of HK\$343,946,000 (31 December 2021: HK\$338,186,000), there were no other significant receivables, that were aged, requiring significant impairment provision as at 30 June 2022 and 31 December 2021.

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 14. DEBTORS, DEPOSITS, PREPAYMENTS AND OTHERS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Accounts receivable	988,650	722,069
Deposits, prepayments, interest and other receivables and others	1,705,753	1,702,323
	2,694,403	2,424,392
Less: Impairment allowance	(87,913)	(84,723)
	2,606,490	2,339,669

Accounts receivable are mainly amounts due from brokers, collectable in cash within one year and divestment proceeds receivable.

The carrying amount of debtors, deposits, prepayments and others approximated to their fair values as at 30 June 2022 and 31 December 2021.

Their recoverability was assessed with reference to the credit status of the debtors, and impairment allowance of HK\$87,913,000 (31 December 2021: HK\$84,723,000) was provided as at 30 June 2022.

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

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 January 2021, 31 December 2021 and 1 January 2022	–	–	84,723	84,723
Other changes (including new assets and derecognised assets)	–	–	3,190	3,190
As at 30 June 2022	–	–	87,913	87,913

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

15. TRADING SECURITIES

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
<b>Current assets</b>		
At fair value:		
Listed equity securities		
– in Hong Kong	342,522	507,130
– outside Hong Kong	186,065	327,025
Listed debt securities		
– in Hong Kong	695,639	788,544
– outside Hong Kong	1,648,140	1,485,096
Unlisted debt securities	92,934	113,515
Derivatives		
– listed	1,198	1,484
– unlisted	32,618	28,600
	2,999,116	3,251,394
<b>Current liabilities</b>		
At fair value:		
Listed equity securities		
– in Hong Kong	(248,679)	(189,395)
– outside Hong Kong	(63,640)	(68,126)
Listed debt securities		
– in Hong Kong	–	(69,254)
– outside Hong Kong	(61,949)	(50,737)
Listed funds	(2,207)	(25,441)
Derivatives		
– listed	(141)	–
– unlisted	(42,395)	(51,707)
	(419,011)	(454,660)

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 16. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Creditors, deposits received and accrued charges	3,048,784	3,237,957

## 17. BANK LOANS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Maturity details are as follows:		
Within 1 year	10,064,099	9,970,601
1 to 2 years	3,829,029	3,733,448
2 to 5 years	5,988,698	7,527,834
Over 5 years	518,886	634,473
	20,400,712	21,866,356

As at 30 June 2022, the bank loans were secured as follows:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Bank loans:		
– secured	2,594,676	2,850,000
– unsecured	17,806,036	19,016,356
	20,400,712	21,866,356

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

**17. BANK LOANS** (continued)

As at 30 June 2022, the bank loans were secured by:

- (a) Mortgage over certain investment properties with carrying value of approximately HK\$4,549 million (31 December 2021: approximately HK\$4,759 million);
- (b) Mortgage over certain property, plant and equipment with carrying value of approximately HK\$22 million (31 December 2021: approximately HK\$23 million);
- (c) Mortgage over certain inventories with carrying value of approximately HK\$419 million (31 December 2021: approximately HK\$438 million); and
- (d) The pledge of equity interests in subsidiaries with carrying value of approximately HK\$1,690 million (31 December 2021: approximately HK\$1,650 million).

**18. BONDS PAYABLE**

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
As at 1 January	13,037,445	12,669,450
New issuance during the period/year	3,777,874	5,001,290
Repayments during the period/year	(195,850)	(5,001,290)
Exchange adjustment	(590,180)	367,995
As at 30 June 2022/31 December 2021	16,029,289	13,037,445

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Maturity details are as follows:		
Within 1 year	4,215,899	5,698,905
1 to 2 years	7,015,980	2,446,180
2 to 5 years	4,797,410	4,892,360
	16,029,289	13,037,445

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 18. BONDS PAYABLE (continued)

As at 30 June 2022, the bonds payable were secured as follows:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Bonds payable:		
– secured	243,334	195,000
– unsecured	15,785,955	12,842,445
	16,029,289	13,037,445

As at 30 June 2022, the bonds payable were secured by bank balances pledged amounting to approximately HK\$252 million (31 December 2021: approximately HK\$212 million).

## 19. OTHER FINANCIAL LIABILITIES

	Note	30 June 2022 HK\$'000	31 December 2021 HK\$'000
<b>Current:</b>			
Financial liabilities to third party investors	(a)	221,855	171,818
<b>Non-current:</b>			
Financial liabilities to third party investors	(a)	7,084,791	7,800,959

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

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 20. SHARE CAPITAL

	30 June 2022		31 December 2021	
	No. of shares (‘000)	HK\$’000	No. of shares (‘000)	HK\$’000
Ordinary shares issued and fully paid: End of period/year	1,685,254	9,618,097	1,685,254	9,618,097

## 21. SENIOR PERPETUAL CAPITAL SECURITIES

	Principal HK\$’000	Distribution HK\$’000	Total HK\$’000
As at 1 January 2021	2,325,540	15,736	2,341,276
Profit attributable to holders of senior perpetual capital securities	-	88,585	88,585
Distribution to holders of senior perpetual capital securities	-	(88,700)	(88,700)
As at 31 December 2021 and 1 January 2022	2,325,540	15,621	2,341,161
Profit attributable to holders of senior perpetual capital securities	-	44,334	44,334
Distribution to holders of senior perpetual capital securities	-	(44,617)	(44,617)
As at 30 June 2022	2,325,540	15,338	2,340,878

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

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

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

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 22. MATURITY PROFILE

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

## As at 30 June 2022

	3 to						Total HK\$'000
	Indefinite HK\$'000	On demand HK\$'000	Less than 3 months HK\$'000	less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
<b>Assets</b>							
- Advances to customers	-	967,182	859,448	1,118,510	-	-	2,945,140
- Trading securities	562,403	-	2,436,713	-	-	-	2,999,116
- Equity investments designated at fair value through other comprehensive income	5,535,532	-	-	-	-	-	5,535,532
- Financial assets at fair value through profit or loss	42,338,631	356,842	-	272,574	366,836	-	43,334,883
- Cash and cash equivalents	-	8,982,268	1,072,143	299,557	-	-	10,353,968
	48,436,566	10,306,292	4,368,304	1,690,641	366,836	-	65,168,639
<b>Liabilities</b>							
- Bank loans	-	-	(4,760,074)	(5,304,025)	(9,817,727)	(518,886)	(20,400,712)
- Other financial liabilities	-	(155,536)	-	(66,319)	(1,100,399)	(5,984,392)	(7,306,646)
- Trading securities	(357,062)	-	(61,949)	-	-	-	(419,011)
- Bonds payable	-	-	(1,633,904)	(2,581,995)	(11,813,390)	-	(16,029,289)
- Notes payable	-	(27,000)	-	-	-	-	(27,000)
- Lease liabilities	-	-	(10,159)	(22,563)	(37,088)	-	(69,810)
	(357,062)	(182,536)	(6,466,086)	(7,974,902)	(22,768,604)	(6,503,278)	(44,252,468)

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

22. MATURITY PROFILE (continued)

As at 31 December 2021

	Indefinite HK\$'000	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<b>Assets</b>							
- Advances to customers	-	-	1,696,158	1,261,630	454,178	-	3,411,966
- Trading securities	864,239	-	2,387,155	-	-	-	3,251,394
- Equity investments designated at fair value through other comprehensive income	6,386,344	-	-	-	-	-	6,386,344
- Financial assets at fair value through profit or loss	48,497,472	549,816	-	610,404	376,838	-	50,034,530
- Cash and cash equivalents	-	5,640,567	1,253,693	261,168	-	-	7,155,428
	55,748,055	6,190,383	5,337,006	2,133,202	831,016	-	70,239,662
<b>Liabilities</b>							
- Bank loans	-	-	(1,211,236)	(8,759,365)	(11,261,282)	(634,473)	(21,866,356)
- Other financial liabilities	-	-	(22,279)	(149,539)	(1,594,165)	(6,206,794)	(7,972,777)
- Trading securities	(334,669)	-	(119,991)	-	-	-	(454,660)
- Bonds payable	-	-	-	(5,698,905)	(7,338,540)	-	(13,037,445)
- Notes payable	-	(27,000)	-	-	-	-	(27,000)
- Lease liabilities	-	-	(10,143)	(29,059)	(53,173)	-	(92,375)
	(334,669)	(27,000)	(1,363,649)	(14,636,868)	(20,247,160)	(6,841,267)	(43,450,613)

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 23. MATERIAL RELATED PARTY TRANSACTIONS

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

	1 January to 30 June 2022 HK\$'000	1 January to 30 June 2021 HK\$'000
Management fee income from:		
– a joint venture	128	68
– associates exempted from applying the equity method and were recognised as financial assets at fair value through profit or loss	46,273	46,398
Consultancy and other service income from an associate*	576	454
Bank interest income from a fellow subsidiary/a related party bank	24,344	54,881
Dividend income from:		
– associates exempted from applying the equity method and were recognised as financial assets at fair value through profit or loss	68,655	66,267
– a fellow subsidiary/a related party bank	372,497	402,562
Bank loans interest expense to a fellow subsidiary/a related party bank	27,310	29,633
Consultancy fee to an associate and a fellow subsidiary/a related party bank*	9,426	12,111

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

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 23. MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Amounts due from associates (included in debtors, deposits, prepayments and others)	29,001	9,438
Bank deposits with a fellow subsidiary/ a related party bank (including bank deposits in trust accounts)	5,467,007	2,815,406
Bank loans from a fellow subsidiary/ a related party bank	(3,339,733)	(3,416,000)
Interests in collective investment schemes issued by a joint venture (included in financial assets at fair value through profit or loss)	4,152,398	4,614,443

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

Bank deposits and loans with a fellow subsidiary/a related party bank arise from the ordinary course of business for corporate financing. The bank deposits earn interest at floating rates based on daily bank deposit rates. The loans are unsecured, interest-bearing, and have a maturity within 1 year.

Interests in collective investment schemes are issued on market terms by a joint venture.

*NOTES TO THE FINANCIAL REPORT continued*

For the six months ended 30 June 2022

**23. 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; issuance and redemption of bonds issued by other State-owned Entities; purchase, sale and leases of properties and other assets; and rendering and receiving of utilities and other services. Among the above, transactions on lending and deposit taking, leases of properties and receiving utilities are continuous throughout the period and were conducted in the ordinary course of business, while the remaining types of transactions happened occasionally.

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

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

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 24. COMMITMENTS

## (a) Capital commitments

As at 30 June 2022, the Group had capital commitments as follows:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Contracted but not provided for:		
– consolidated structured entities	4,994,219	4,848,150
– unconsolidated structured entities	5,863,832	6,119,230
– unlisted equity investments	310,803	290,548
	11,168,854	11,257,928

(b) As at 30 June 2022, the undiscounted lease payments receivable by the Group in the future periods under non-cancellable operating leases with its tenants are as follows:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Within 1 year	188,695	179,341
After 1 year but within 2 years	165,026	152,358
After 2 years but within 3 years	137,836	122,948
After 3 years but within 4 years	128,403	105,250
After 4 years but within 5 years	86,571	85,588
After 5 years	266,445	188,050
	972,976	833,535

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 24. COMMITMENTS (continued)

## (c) Off-balance sheet exposure

The fair values and the contractual or notional amounts of the Group's trading derivatives outstanding at 30 June 2022 are detailed as follows:

	Fair value assets/ (liabilities)		Contractual/notional amounts	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets derivative contracts	33,816	30,084	804,982	1,156,323
Liabilities derivative contracts	(42,536)	(51,707)	2,521,796	2,356,986

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

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

## 25. FINANCIAL INSTRUMENTS

Risk management is of fundamental importance to the business operation of the Group. The major types of risk inherent in the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The Group's risk management objectives are to maximise shareholders' value and to reduce volatility in earnings while maintaining risk exposures within acceptable limits.

The Group's work in the area of risk management is executed by the Risk Management, Legal and Compliance Department and is led by the Vice President of the Group in charge of Risk Management, Legal and Compliance. This functional structure can assess, identify and document the Group's risk profile and to ensure that the business units focus, control and systematically avoid potential risks in various business areas. The following is a brief description of the Group's approach in managing these risks.

*NOTES TO THE FINANCIAL REPORT continued*

For the six months ended 30 June 2022

## 25. FINANCIAL INSTRUMENTS (continued)

### (a) Credit risk

The Group's credit risk is primarily attributable to advances to customers, accounts receivables, debt investments and unlisted derivative financial instruments.

#### Credit risk management framework

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

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

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

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

*NOTES TO THE FINANCIAL REPORT continued*

For the six months ended 30 June 2022

**25. FINANCIAL INSTRUMENTS** (continued)**(a) Credit risk** (continued)

## Credit risk management framework (continued)

For advances to customers, the Group requires collateral from customers before advances are granted. The amount of advances permitted depends on the quality and value of collateral provided by the customers. Any subsequent change in value as well as quality of collateral is closely monitored in order to determine whether any corrective action is required.

Accounts receivables mainly arise from the Group's investment activities. Receivables from brokers and counterparties are normally repayable on demand. The Group has established procedures in the selection of brokers/ counterparties with sound credit ratings and/or reputation.

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

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

## Expected Credit Loss ("ECL") Methodology

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

The Group has adopted HKFRS 9, where the impairment requirements under HKFRS 9 are based on an ECL model. The Group applies the general approach for impairment of financial assets except for impairment of accounts receivable (included in debtors and deposits) and finance lease receivables, to which the simplified approach was applied. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Lifetime ECL – not credit-impaired and Stage 3: Lifetime ECL – credit-impaired.

*NOTES TO THE FINANCIAL REPORT continued*

For the six months ended 30 June 2022

**25. FINANCIAL INSTRUMENTS** (continued)**(a) Credit risk** (continued)**Expected Credit Loss (“ECL”) Methodology** (continued)

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 discounted at the effective interest rate to the reporting date. As at 30 June 2022, ECL of unsecured financial asset is measured based on PD at a range of 0.15% to 31.55% (31 December 2021: 0.16% to 57.58%) and LGD at a range of 58% to 88% (31 December 2021: 58% to 90%).

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

*NOTES TO THE FINANCIAL REPORT continued*

For the six months ended 30 June 2022

**25. FINANCIAL INSTRUMENTS** (continued)**(a) Credit risk** (continued)**Expected Credit Loss (“ECL”) Methodology** (continued)

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

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

The maximum exposure to credit risk without taking into account any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, at the end of the reporting period, deducting any impairment allowance.

**(b) Liquidity risk**

The Group’s policy is to regularly assess current and expected liquidity requirements and to ensure that it maintains reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

For subsidiaries with statutory liquidity requirements, the Group closely monitors their liquidity positions. To ensure strict compliance, the Group maintains adequate cash reserves to prepare for immediate fund injection if required. If there is a medium to long-term operational need, management would also consider adjusting those subsidiaries’ capital structure. Subsidiaries with external equity stakeholders are generally responsible for their own liquidity management.

*NOTES TO THE FINANCIAL REPORT continued*

For the six months ended 30 June 2022

**25. FINANCIAL INSTRUMENTS** (continued)**(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, Legal and Compliance Department. The instruments used to manage interest rate risk include time deposits and interest rate linked derivatives, if necessary.

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

**(d) Currency risk**

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

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

*NOTES TO THE FINANCIAL REPORT continued*

For the six months ended 30 June 2022

**25. FINANCIAL INSTRUMENTS** (continued)**(e) Equity price risk**

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 15), equity investments designated at fair value through other comprehensive income (see note 11) and financial assets at fair value through profit or loss (see note 12). Other than unlisted securities held for medium to long-term purposes, all of these investments are listed.

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

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

*NOTES TO THE FINANCIAL REPORT continued*

For the six months ended 30 June 2022

## 26. FAIR VALUE OF FINANCIAL INSTRUMENTS

### Fair value hierarchy

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

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

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

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

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

## Fair value hierarchy (continued)

As at 30 June 2022

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Recurring fair value measurement Assets</b>				
Equity investments designated at fair value through other comprehensive income:				
– Listed equity securities	5,535,532	–	–	5,535,532
Financial assets at fair value through profit or loss:				
– Listed equity securities	1,272,209	–	409,705	1,681,914
– Unlisted equity securities/ collective investment schemes	–	–	32,309,708	32,309,708
– Unlisted preference shares	–	–	8,347,009	8,347,009
– Unlisted debt securities	–	–	996,252	996,252
	1,272,209	–	42,062,674	43,334,883
Trading securities:				
– Listed equity securities	528,587	–	–	528,587
– Listed debt securities	–	2,343,779	–	2,343,779
– Unlisted debt securities	–	92,934	–	92,934
– Listed derivatives	1,198	–	–	1,198
– Unlisted derivatives	–	32,618	–	32,618
	529,785	2,469,331	–	2,999,116
<b>Liabilities</b>				
Trading securities:				
– Listed equity securities	(312,319)	–	–	(312,319)
– Listed debt securities	–	(61,949)	–	(61,949)
– Listed funds	(2,207)	–	–	(2,207)
– Listed derivatives	(141)	–	–	(141)
– Unlisted derivatives	–	(42,395)	–	(42,395)
	(314,667)	(104,344)	–	(419,011)

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

As at 31 December 2021

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Recurring fair value measurement</b>				
<b>Assets</b>				
Equity investments designated at fair value through other comprehensive income:				
– Listed equity securities	6,386,344	–	–	6,386,344
Financial assets at fair value through profit or loss:				
– Listed equity securities	2,349,959	–	132,910	2,482,869
– Unlisted equity securities/ collective investment schemes	–	–	37,705,211	37,705,211
– Unlisted preference shares	–	–	8,309,392	8,309,392
– Unlisted debt securities	–	–	1,537,058	1,537,058
	2,349,959	–	47,684,571	50,034,530
Trading securities:				
– Listed equity securities	834,155	–	–	834,155
– Listed debt securities	–	2,273,640	–	2,273,640
– Unlisted debt securities	–	113,515	–	113,515
– Listed derivatives	1,484	–	–	1,484
– Unlisted derivatives	–	28,600	–	28,600
	835,639	2,415,755	–	3,251,394
<b>Liabilities</b>				
Trading securities:				
– Listed equity securities	(257,521)	–	–	(257,521)
– Listed debt securities	–	(119,991)	–	(119,991)
– Listed funds	(25,441)	–	–	(25,441)
– Unlisted derivatives	–	(51,707)	–	(51,707)
	(282,962)	(171,698)	–	(454,660)

*NOTES TO THE FINANCIAL REPORT continued*

For the six months ended 30 June 2022

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS** (continued)

As at 30 June 2022, one of the financial assets at fair value through profit or loss with fair values of HK\$91,853,000 was previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As unadjusted quoted prices are available in the active market, the fair value measurement of these equity securities were accordingly transferred from Level 3 to Level 1 of the fair value hierarchy.

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

As at 31 December 2021, four of the financial assets at fair value through profit or loss with fair values of HK\$408,591,000, HK\$336,385,000, HK\$291,167,000 and HK\$95,840,000 were previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As unadjusted quoted prices are available in the active market, the fair value measurement of these equity securities were accordingly transferred from Level 3 to Level 1 of the fair value hierarchy.

During the six months ended 30 June 2022 and the year ended 31 December 2021, there were no transfers of fair value measurements between Level 1 and Level 2.

**Valuation techniques and inputs used in Level 2 fair value measurements**

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

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Information about Level 3 fair value measurements

As at 30 June 2022

Valuation techniques	Significant unobservable inputs	Range	Increase/ (decrease) in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss HK\$'000
Market comparable companies	Discount for lack of marketability	20% to 30%	5% (5%)	(15,803) 15,803
	Market multiples	5.1 to 38.6	5% (5%)	58,226 (58,226)
Binomial model and equity allocation model	Discount rate	9.80%	5% (5%)	(213) 214
	Volatility	30.66% to 85.47%	5% (5%)	5,583 (6,336)
Put option model	Discount for lack of marketability for restricted shares	5.78% to 10.65%	5% (5%)	(975) 975

As at 31 December 2021

Valuation techniques	Significant unobservable inputs	Range	Increase/ (decrease) in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss HK\$'000
Market comparable companies	Discount for lack of marketability	20% to 30%	5% (5%)	(40,732) 40,732
	Market multiples	0.7 to 33.1	5% (5%)	86,898 (86,898)
Binomial model and equity allocation model	Discount rate	6.29% to 30.00%	5% (5%)	(1,845) 1,872
	Volatility	36.02% to 67.30%	5% (5%)	4,270 (4,105)
Put option model	Discount for lack of marketability for restricted shares	4.10% to 9.91%	5% (5%)	(422) 422

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS** (continued)**Information about Level 3 fair value measurements** (continued)

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

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

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

The Group has certain shares listed on the Stock Exchange of Hong Kong, 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.

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	Financial assets at fair value through profit or loss					Total HK\$'000
	Listed equity securities HK\$'000	Unlisted equity securities/ collective investment schemes HK\$'000	Unlisted preference shares HK\$'000	Unlisted debt securities HK\$'000		
As at 1 January 2021	–	33,024,755	6,489,350	1,354,941	40,869,046	
Purchased	–	3,166,526	1,151,443	1,948,943	6,266,912	
Net unrealised gain or loss recognised in profit or loss	36,997	4,299,981	1,159,648	(1,309,152)	4,187,474	
Exchange adjustments	6,181	615,997	112,200	–	734,378	
Disposals	(120,503)	(2,590,382)	(72,697)	(457,674)	(3,241,256)	
Reclassification	210,235	(811,666)	(530,552)	–	(1,131,983)	
As at 31 December 2021 and 1 January 2022	132,910	37,705,211	8,309,392	1,537,058	47,684,571	
Purchased	–	518,759	46,071	–	564,830	
Net unrealised loss recognised in profit or loss	(174,842)	(3,252,981)	(81,383)	(86,842)	(3,596,048)	
Exchange adjustments	(2,472)	(977,359)	(255,995)	(15,698)	(1,251,524)	
Disposals	–	(1,337,454)	–	(140,000)	(1,477,454)	
Reclassification	454,109	(346,468)	328,924	(298,266)	138,299	
As at 30 June 2022	409,705	32,309,708	8,347,009	996,252	42,062,674	

*NOTES TO THE FINANCIAL REPORT continued*

For the six months ended 30 June 2022

## 27. SEGMENT INFORMATION

The Group manages and conducts the majority of its business activities by business units. Operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and performance assessment. During the period, the operating segment of "Wealth Management" has been consolidated into "Primary Market Investments". Segment information for the six months ended 30 June 2021 and as at 31 December 2021 was restated to reflect the change in composition of the reportable segments.

### Fund Management Business

Fund management business refers that the Group raises funds from external investors and deploys the Group's seed capital into specific clients, applies its professional knowledge and experience to make investment decisions on the capital according to laws, regulations and the fund's prospectus, while seeking to maximise gains for investors. The fund management business is comprised of primary market investment, secondary market investment and Fund of Funds investment ("FoF").

- Primary market investment: investment in unlisted equity securities or equity derivatives with equity position for participating in the ongoing management of these companies, and with an ultimate objective of capital gain on investee's equity listing or through other exit channels. Areas of investments include new economy, artificial intelligence and advanced manufacturing, new energy, medical care and senior healthcare, overseas acquisition and infrastructure, real estate, aircraft industry chain, consumer market, wealth management and others.

*NOTES TO THE FINANCIAL REPORT continued*

For the six months ended 30 June 2022

## 27. SEGMENT INFORMATION (continued)

### Fund Management Business (continued)

- Secondary market investment: provides a diversified range of financial services, including asset management, investment management and investment advisory activities. Products include absolute return funds, bond funds and equity funds.
- Fund of Funds investment or “FoF”: FoF invested in both funds initiated and managed by the Group as well as external funds with proven track records of performance and governance. FoF can provide one-stop solution that offers liquidity and potential returns for mega-size institutions.

### Principal Investments Business

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

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

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 27. SEGMENT INFORMATION (continued)

## Business segments

For the six months ended 30 June 2022:

	Fund Management Business			Principal Investments Business			Reportable segments total HK\$'000	Total HK\$'000
	Primary Market Investments HK\$'000	Secondary Market Investments HK\$'000	Fund of Funds Investments HK\$'000	Key Investee Companies HK\$'000	Financial Investments HK\$'000	Cornerstone Investments HK\$'000		
Income from contract with customers	248,099	27,209	11,696	-	108,139	-	395,143	395,143
Net (loss)/income from investments	(1,865,373)	(319,867)	198,206	8,459	(1,052,492)	386,803	(2,644,264)	(2,644,264)
Income from other sources	-	(19,605)	-	-	77,906	-	58,301	58,301
Total (loss)/income	(1,617,274)	(312,263)	209,902	8,459	(866,447)	386,803	(2,190,820)	(2,190,820)
Segment operating results	(1,682,585)	(366,854)	198,509	8,459	(1,116,089)	386,803	(2,571,757)	(2,571,757)
Unallocated head office and corporate expenses*								(559,261)
Share of profits less losses of associates	15,139	-	-	(61,305)	9,972	429,194	393,000	393,000
Share of profits less losses of joint ventures	7,132	-	-	-	(239)	-	6,893	6,893
(Loss)/profit before taxation	(1,660,314)	(366,854)	198,509	(52,846)	(1,106,356)	815,997	(2,171,864)	(2,731,125)
Less: Non-controlling interests	12,666	40,732	6,101	-	26,060	-	85,559	
Segment results	(1,647,648)	(326,122)	204,610	(52,846)	(1,080,296)	815,997	(2,086,305)	
Other segment information:								
Interest income	54,962	45,198	30,016	8,459	84,268	-	222,903	
Impairment losses recognised in the statement of profit or loss	-	-	-	-	27,750	-	27,750	

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

27. SEGMENT INFORMATION (continued)

Business segments (continued)

For the six months ended 30 June 2021 (Restated):

	Fund Management Business			Principal Investments Business			Reportable segments total HK\$'000	Total HK\$'000
	Primary Market Investments HK\$'000	Secondary Market Investments HK\$'000	Fund of Funds Investments HK\$'000	Key Investee Companies HK\$'000	Financial Investments HK\$'000	Cornerstone Investments HK\$'000		
Income from contracts with customers	135,583	43,606	15,600	-	133,372	-	328,161	328,161
Income from investments	773,215	215,842	200,871	28,279	442,169	402,562	2,062,938	2,062,938
Income from other sources	16,121	18,466	-	-	(37,308)	-	(2,721)	(2,721)
Total income	924,919	277,914	216,471	28,279	538,233	402,562	2,388,378	2,388,378
Segment operating results	817,109	213,513	206,312	28,279	288,588	402,562	1,956,363	1,956,363
Unallocated head office and corporate expenses*								(583,287)
Share of profits less losses of associates	42,293	-	-	101,932	15,472	564,711	724,408	724,408
Share of profits less losses of joint ventures	20,452	-	-	-	(469)	-	19,983	19,983
Profit before taxation	879,854	213,513	206,312	130,211	303,591	967,273	2,700,754	2,117,467
Less: Non-controlling interests	(4,840)	(80,809)	-	-	96,899	-	11,250	
Segment results	875,014	132,704	206,312	130,211	400,490	967,273	2,712,004	
Other segment information:								
Interest income	66,578	34,501	59,846	6,504	77,060	-	244,489	
Impairment losses recognised in the statement of profit	-	-	-	-	14,100	-	14,100	

- \* The unallocated head office and corporate expenses mainly included unallocated finance costs, employee expenses and other operating expenses. The segment expenses and the unallocated head office and corporate expenses are measured on the same basis as HKFRS.

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 27. SEGMENT INFORMATION (continued)

## Other information

As at 30 June 2022:

	Fund Management Business			Principal Investment Business			Reportable segments total HK\$'000	Total HK\$'000
	Primary Market Investments	Secondary Market Investments	Fund of Funds Investments	Key Investee Companies	Financial Investments	Cornerstone Investments		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Segment assets	24,390,217	4,658,807	11,693,300	4,515,341	20,569,821	5,535,532	71,363,018	71,363,018
Investments in associates	3,801,259	-	5,644	2,495,949	492,850	13,244,047	20,039,749	20,039,749
Investments in joint ventures	1,005,626	-	-	-	1,619	-	1,007,245	1,007,245
Unallocated head office and corporate assets								3,904,266
<b>Total assets</b>								<b>96,314,278</b>
Segment liabilities	2,758,866	1,318,649	4,868,830	-	4,397,097	3,040	13,346,482	13,346,482
Unallocated head office and corporate liabilities								33,954,770
Provision for taxation								564,274
Deferred tax liabilities								3,123,374
<b>Total liabilities</b>								<b>50,988,900</b>

As at 31 December 2021 (Restated):

	Fund Management Business			Principal Investments Business			Reportable segments total HK\$'000	Total HK\$'000
	Primary Market Investments	Secondary Market Investments	Fund of Funds Investments	Key Investee Companies	Financial Investments	Cornerstone Investments		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Segment assets	28,199,812	4,859,757	10,767,619	4,497,652	25,194,734	6,386,344	79,905,918	79,905,918
Investments in associates	3,983,647	-	-	2,468,552	490,074	13,476,168	20,418,441	20,418,441
Investments in joint ventures	1,059,337	-	-	-	2,003	-	1,061,340	1,061,340
Unallocated head office and corporate assets								407,862
<b>Total assets</b>								<b>101,793,561</b>
Segment liabilities	3,073,670	1,153,454	5,044,786	-	5,029,537	-	14,301,447	14,301,447
Unallocated head office and corporate liabilities								32,387,123
Provision for taxation								693,348
Deferred tax liabilities								3,375,113
<b>Total liabilities</b>								<b>50,757,031</b>

NOTES TO THE FINANCIAL REPORT *continued*

For the six months ended 30 June 2022

## 27. SEGMENT INFORMATION (continued)

## Geographical segments

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and investment properties, right-of-use assets, investments in associates and joint ventures ("Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the Specified non-current assets is based on the physical locations of the asset. For investments in associates and joint ventures, the geographical location is based on the locations of operations.

	For the six months ended 30 June 2022			For the six months ended 30 June 2021		
	Hong Kong and others HK\$'000	Mainland China HK\$'000	Total HK\$'000	Hong Kong and others HK\$'000	Mainland China HK\$'000	Total HK\$'000
Segment revenue						
Income from contracts with customers	197,682	197,461	395,143	96,787	231,374	328,161
Net (loss)/income from investments	67,784	(2,712,048)	(2,644,264)	386,768	1,676,170	2,062,938
Income from other sources	(93,106)	151,407	58,301	88,513	(91,234)	(2,721)
	172,360	(2,363,180)	(2,190,820)	572,068	1,816,310	2,388,378
	For the six months ended 30 June 2022			For the year ended 31 December 2021		
	Hong Kong and others HK\$'000	Mainland China HK\$'000	Total HK\$'000	Hong Kong and others HK\$'000	Mainland China HK\$'000	Total HK\$'000
Specified non-current assets	2,659,700	24,188,989	26,848,689	2,597,988	24,832,093	27,430,081

*NOTES TO THE FINANCIAL REPORT continued**For the six months ended 30 June 2022***28. LITIGATION**

Reference is made to the announcement of the Company made through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") dated 2 February 2021 (the "Announcement"). As highlighted in the Announcement, the Group is involving in a legal proceeding (the "Litigation"). Certain amount of the Group's assets insignificant to its daily operations were preserved under the Litigation. The Company is of the view that any liabilities which may be incurred as a result of the Litigation will not have a material adverse impact on the financial position or operating results of the Company. For more details, please refer to the Announcement. The Company will provide further information as and when appropriate in accordance with the Rules Governing the Listing of Securities on the Stock Exchange.

## INDEPENDENT REVIEW REPORT



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

Report on review of interim financial information  
To the board of directors of China Everbright Limited  
(Incorporated in Hong Kong with limited liability)

### INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 59, which comprises the condensed consolidated statement of financial position of China Everbright Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2022 and the related condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

*INDEPENDENT REVIEW REPORT continued*

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young  
Certified Public Accountants  
Hong Kong  
25 August 2022

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2022

### BUSINESS OVERVIEW

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

For Fund Management Business, as at 30 June 2022, total assets under management (“AUM”)<sup>1</sup> of CEL reached approximately HK\$197.3 billion, with 86 funds under management. Through various primary market funds, secondary market investment portfolios and Fund of Funds (“FoFs”) under its management, CEL has nurtured many valuable enterprises with high growth potential alongside with its investors. Based on the needs of economic development in China, CEL also provides comprehensive financial services to Chinese and overseas investors through introducing and combining overseas technologies superiority to the Chinese market.

In respect of Principal Investments Business, CEL has nurtured China Aircraft Leasing Group Holdings Limited (“CALC”), the largest independent aircraft operating lessor in China; consolidated multiple mid-to-high-end senior healthcare enterprises to form a quality senior healthcare brand, China Everbright Senior Healthcare Company Limited (“Everbright Senior Healthcare”); and invested in Chongqing Terminus Technology Co., Ltd. (“Terminus”), a unicorn company in the artificial intelligence and Internet of Things (“IoT”) industry. Meanwhile, CEL also invests in financial assets to achieve a balanced return and liquidity in its principal investments in due course. In addition, CEL holds a portion of the equity interests of China Everbright Bank Company Limited (“China Everbright Bank”) and Everbright Securities Company Limited (“Everbright Securities”) as cornerstone investments.

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

MANAGEMENT DISCUSSION AND ANALYSIS *continued*

For the six months ended 30 June 2022

## BUSINESS OVERVIEW (continued)



## MANAGEMENT DISCUSSION AND ANALYSIS *continued*

For the six months ended 30 June 2022

### REVIEW AND ANALYSIS

#### Macro-economic and Industry Review

The global economic slowdown led to the increasing downward pressure on the economy. In the first half of 2022, geopolitical conflicts aggravated the global supply chain's bottleneck problems, leading to continuous price hikes in bulk commodities including energy, industrial metals and grains. Major economies such as Europe and the United States were facing strong inflationary pressures and implemented monetary tightening policies to tame soaring inflation, which overshadowed the global economic recovery. International Monetary Fund ("IMF") downgraded the global economic growth for the third time in a row during the year, expecting the growth rate will slow down to 3.2%. To alleviate persistently high inflation, the United States has cumulatively raised interest rates by 150 basis points in the first half of the year. The European economy was facing difficulties such as slowing external demand, energy shortage and debt risks, with a lower-than-expected growth rate. Affected by the rebound of the epidemic and the slowdown of the global economy, China has achieved a gross domestic product growth of 2.5% in the first half of the year. The economic operation resilience was strong, but the demand and supply ends were under pressure, resulting in a slowdown in economic growth.

The global financial market experienced a retraction, and the capital market prices were under greater downward pressure. In the first half of 2022, there was a substantial decline in the three major US stock indices. The Dow Jones Industrial Average, the S&P 500 and the NASDAQ Composite recorded aggregate decrease of 15.3%, 20.6% and 29.5%, respectively. The major European stock market indices also showed no sign of rising in the first half of 2022. The United Kingdom's FTSE 100 Index, France's CAC 40 Index and Germany's DAX 30 Index declined by 2.9%, 15.7% and 18.1%, respectively. Although stock indices in Mainland China and Hong Kong rebounded due to the favorable policies launched in Mainland China, SSE Composite Index and SZSE Component Index dropped 6.6% and 13.2%, respectively, in the first half of the year and Hang Seng Index also cumulatively decreased by 6.6%. The US dollar bonds issued by Chinese enterprises fell overall, credit risk incidents occurred frequently, and the high-yield bonds were volatile.

*MANAGEMENT DISCUSSION AND ANALYSIS continued*

For the six months ended 30 June 2022

**REVIEW AND ANALYSIS** (continued)**Macro-economic and Industry Review** (continued)

The complex and volatile macro environment and the recurrence of the COVID-19 pandemic have led to the decline in activity in the domestic equity investment industry in China. According to Zero2IPO Research, in the first half of 2022, the number of new equity investment funds raised in China was 2,701 and the amount was approximately RMB772.5 billion, representing a year-on-year decrease of 7.2% and 10.3%, respectively. In respect of investment, in the first half of 2022, a total number of 4,167 investments with a value of approximately RMB314.9 billion were made in China's equity investment market, representing a year-on-year decrease of 31.9% and 54.9%, respectively. In the first half of 2022, a total of 192 Chinese enterprises were listed in Mainland China, Hong Kong and the United States, representing a year-on-year decrease of 40% in the number of listed enterprises. But among these, 133 listed enterprises were supported by private equity institutions, and the penetration rate was as high as 69.3%, which proved that private equity institutions have become an important channel of direct financing for enterprises.

**Business Review Highlights in the First Half of 2022**

In the first half of the year, the global financial market has unprecedentedly experienced an extensive and comprehensive downturn, which has brought greater challenges to the investment business of the Group. The downturn of the financial market was due to both domestic and overseas fluctuations and corrections, with equity indices in Europe, the United States and Greater China region declining. Besides, as both the equity and bond markets have retreated, and the uncertainty of the macro environment has increased significantly, the high-yield bond market in the region that features USD bonds issued by Chinese enterprises also experienced a simultaneous sell-off. Furthermore, the overall volatility in the secondary market has swept the primary market, putting the same downward pressure on the valuation of the projects in the primary market. The Group has been focusing on growing enterprises to achieve long-term sustainable investment returns through a diversified investment portfolio combined with various asset allocation. Despite the Group's timely defensive deployments in response to market changes with effective risk management in light of the financial market shocks during the first half of the year, it was inevitable to record periodic losses.

MANAGEMENT DISCUSSION AND ANALYSIS *continued*

For the six months ended 30 June 2022

## REVIEW AND ANALYSIS (continued)

## Business Review Highlights in the First Half of 2022 (continued)

Given the unfavorable environment of the gloomy equity investment industry, the Group carried out its fund management business in a steady and orderly manner, strived to overcome the impact of the pandemic on fundraising, project research and other work, and captured the window of “fundraising, investment, management and exit” at various stages to promote the high-quality development of the business. During the first half of the year, the Group established 2 new funds and increased the size of 1 existing fund, with the newly raised capital of approximately HK\$1.35 billion. However, the AUM presented in HKD did not increase but decreased to approximately HK\$197.3 billion, mainly due to the decline in the exchange rate of RMB during the period. Taking into account the market environment, the Group adopted a more prudent investment strategy and capitalized on key opportunities to exit projects. In particular, Everbright Overseas Infrastructure Investments Fund exited its investment in the public transport project in Norway by way of transfer of entire interest and achieved a satisfactory investment return, resulting in a performance fee income from the fund of approximately HK\$125 million.

In general, the Group focused on the two core businesses of “fund management” and “investment”, steadily carrying out fund management work in terms of fundraising, investment, management and exit, etc. We have made progress in the following aspects by balancing the relationship between the investment value of projects and external risks with regard to the prevailing circumstances and maintaining our strategic focus:

## Fund management

Devise key plan for emerging industries: new funds were established to focus on high-end manufacturing, information technology, green and environmental protection, new infrastructure and niche businesses as investment approach; strengthened the investment in the Belt & Road Initiative Green Fund-of-Funds and the establishment of regional sub-funds.

Fundraising efforts proceed despite difficulties: established funds have received recognition and support from local governments and LPs such as financial holdings groups. Several funds have entered the final sprint, including CEL Infrastructure Investment Fund II, in which Asian Infrastructure Investment Bank has approved to commit US\$100 million, and the cooperation with the National Manufacturing Fund is undertaken by the Fund of Funds segment.

MANAGEMENT DISCUSSION AND ANALYSIS *continued*

For the six months ended 30 June 2022

## REVIEW AND ANALYSIS (continued)

## Business Review Highlights in the First Half of 2022 (continued)

Fund  
management

Pursue investment and development in technology innovation: incubator of Everbright Hong Kong Innovation Centre has accelerated enterprise admission and approached more than 20 technology innovation enterprises to support the development of technology innovation in Hong Kong.

Diversified exit channels: CEL made use of both transfer and IPO as exit channels. The transfer of entire interest of the Norway public transport project has been completed, while several investment projects have obtained listing status on the Stock Exchange of Hong Kong, NASDAQ in the US, Shanghai's STAR Market and Shenzhen's ChiNext Board through IPO. There were 25 fully/partially divested projects, generating a cash inflow of approximately HK\$3,517 million.

Key investee  
companies

CALC strengthens its position along the whole chain of aircraft industry: it continued to expand its fleet and make stable progress in its industry position. It has become the first aircraft recycling enterprise to be awarded the diamond level (the highest level) by the Aircraft Fleet Recycling Association ("AFRA"), demonstrating its professional capability in each part of aircraft leasing life cycle.

Terminus AIoT's research achieves numerous breakthroughs: various research achievements have been acknowledged and published by CVPR (Conference on Computer Vision and Pattern Recognition), a summit in the artificial intelligence field; and digital and intelligent cooperation with various local governments, including Chongqing, Tianjin, Deyang, Lincang, etc., have commenced; it was named on the CCID's "2022 Top 100 Unicorns".

Everbright Senior Healthcare fulfils social responsibility through development: it was ranked second among senior healthcare organisations in China on Guandian Index Academy's ranking with a total of 33,000 beds under management and 176 senior healthcare institutions and community service centers.

MANAGEMENT DISCUSSION AND ANALYSIS *continued*

For the six months ended 30 June 2022

REVIEW AND ANALYSIS (continued)

Business Review Highlights in the First Half of 2022 (continued)

<p>Resource reserve</p>	<p>Optimised debt structure: CEL successfully issued RMB3 billion medium term notes in China's interbank market, which was the largest single panda bond issuance by a non-financial enterprise in China's domestic bond market in the first half of 2022, with a further decrease in financing interest rate.</p> <p>Levelled up liquidity reserve: cash on book of approximately HK\$10,354 million and unutilised bank facility of approximately HK\$6,823 million, which provided better risk resilience and capability to capture market opportunities.</p> <p>Increased depth of coverage of technology innovation resources: Everbright Technology Innovation Centre in the Hong Kong Science Park and the Everbright Global Partner Project supported the development of technology innovation centre in Hong Kong, incubated start-ups and capture investment opportunities.</p> <p>Strengthened regional development to increase investment exposure in mass market: CEL digs deep into Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area and actively participates in the Chengdu-Chongqing economic circle, the Hainan Pilot Free Trade Zone, and the development of the Xiong'an New Area. Our investment exposure involves fields such as software and network, retail, consumer goods, medical and health, etc.</p>
<p>Environmental, social and governance ("ESG")</p>	<p>Further improvement in third-party ratings: MSCI ESG rating has improved from B to BB with the score increasing to 4.6.</p> <p>Social responsibility fulfilment: CEL actively supports the anti-pandemic efforts of the HKSAR government and donates fundings and supplies to various sectors in Hong Kong.</p> <p>Implementation of management system optimisation: CEL has optimised a number of internal management systems, such as the risk management guidelines, board diversity, etc.; it spared no effort in protecting the health and safety of employees and coordinates the pandemic prevention and control measures and business operation; it organised and arranged ESG training for over 600 training hours in total.</p>

MANAGEMENT DISCUSSION AND ANALYSIS *continued*

For the six months ended 30 June 2022

## FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2022

## Income

Key income items (in HK\$ hundred million)	2022 1H	2021 1H	Change
Income from contracts with customers, mainly including:			
– Management fee income	3.95	3.28	20%
– Performance fee and consultancy fee income	1.50	1.81	(17%)
	1.42	0.58	145%
Net (loss)/income from investments, mainly including:	(26.44)	20.63	N/A
– Interest income	2.23	2.45	(9%)
– Dividend income	10.61	5.98	77%
– Realised gain on investments	1.12	5.86	(81%)
– Unrealised (loss)/gain on investments	(40.55)	6.07	N/A
Income/(loss) from other sources	0.58	(0.03)	N/A
Share of profits less losses of associates	3.93	7.25	(46%)
Share of profits less losses of joint ventures	0.07	0.20	(65%)
<b>Total amount of income</b>	<b>(17.91)</b>	<b>31.33</b>	<b>N/A</b>

During the reporting period, the Group's income from contracts with customers maintained a steady growth with increment of performance fee and consultancy fee income. Mainly affected by a significant decrease in investment income and a decrease in share of profits less losses of associates, the Group's total amount of income<sup>2</sup> was a loss of HK\$1,791 million, whereas an income of HK\$3,133 million was recorded over the same period last year.

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

MANAGEMENT DISCUSSION AND ANALYSIS *continued*

For the six months ended 30 June 2022

## FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2022

(continued)

## Income (continued)

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

- (1) In the first half of 2022, the Group's income from contracts with customers was HK\$395 million, representing a year-on-year increase of HK\$67 million. Specifically, management fee income was HK\$150 million, representing a year-on-year decrease of HK\$31 million. It was mainly because certain primary market funds have entered the exit period or the extension period, leading to a decrease in management fee. Performance fee and consultancy fee income was HK\$142 million, representing a year-on-year increase of HK\$84 million, which was mainly due to a performance fee of HK\$125 million distributed by Everbright Overseas Infrastructure Investments Fund.
- (2) The Group's net loss from investments was HK\$2,644 million, whereas income of HK\$2,063 million was recorded over the same period last year. Specifically, dividend income was HK\$1,061 million, representing a year-on-year increase of HK\$463 million, which was mainly due to the distribution of HK\$566 million from Everbright Overseas Infrastructure Investments Fund. Due to the influence of market environment factors, the Group reduced exit from sizable investment projects in the first half of 2022. The realised gain on investments was HK\$112 million, representing a year-on-year decrease of HK\$474 million. As the overall downturn of global economy and capital market, unrealised loss on investments of HK\$4,055 million was recorded, whereas unrealised gain on investments of HK\$607 million was recorded over the same period last year. The unrealised loss on investments mainly came from unrealised loss of HK\$2,599 million from primary market investments of Fund Management Business (as at the end of 2021, the carrying value of the primary market investments<sup>3</sup> was HK\$25,242 million), unrealised loss of HK\$394 million from the secondary market investments which was affected by the decrease in market price (as at the end of 2021, the carrying value of the secondary market investments<sup>4</sup> was HK\$3,734 million), unrealised gain on Fund of Funds investments of HK\$120 million (as at the end of 2021, the carrying value of Fund of Funds investments<sup>3</sup> was HK\$7,526 million) and unrealised loss of HK1,182 million on the financial investments of Principal Investments Business (as at the end of 2021, the carrying value of financial investments<sup>4</sup> was HK\$12,034 million).

<sup>3</sup> The carrying value of primary market investments and Fund of Funds investments here represent carrying value of financial assets at fair value through profit or loss.

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

MANAGEMENT DISCUSSION AND ANALYSIS *continued*

For the six months ended 30 June 2022

## FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2022

(continued)

## Income (continued)

- (3) During the reporting period, the Group's share of profits less losses of associates was HK\$393 million, representing a year-on-year decrease of HK\$332 million, mainly due to a decrease in the profit of the associates, Everbright Securities and CALC.

## Income from key business segments

Income from key business segments (in HK\$ hundred million)	2022 1H	2021 1H
– (Loss)/income from Fund Management Business	(16.97)	14.82
– (Loss)/income from Principal Investments Business	(0.94)	16.51
Total amount of income	(17.91)	31.33

By business segment, the loss from Fund Management Business of the Group during the reporting period was HK\$1,697 million, whereas income of HK\$1,482 million was recorded over the same period last year. It was mainly because the Group used seed capital to invest in the managed funds and there was a decrease in valuation of certain projects due to a continuous fluctuation in the capital market, forming an unrealised loss of approximately HK\$2,873 million. The loss from Principal Investments Business was HK\$94 million, whereas income of HK\$1,651 million was recorded over the same period last year. It was mainly due to market downturn, leading to a decrease in valuation of principal investment projects and forming an unrealised loss of approximately HK\$1,182 million.

MANAGEMENT DISCUSSION AND ANALYSIS *continued*

For the six months ended 30 June 2022

## FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2022

(continued)

Earned Management Fee Income<sup>5</sup>

<i>(in HK\$ hundred million)</i>	As presented in the financial report	Elimination of management fee income from consolidated funds (a)	Management fee income received by associates/ joint ventures (b)	Other accounting adjustments (c)	Earned Management Fee Income
Primary market	1.17	0.56	1.34	(0.08)	2.99
Secondary market	0.21	0.12	–	0.07	0.40
Fund of Funds	0.12	0.53	–	(0.02)	0.63
Management fee income	1.50	1.21	1.34	(0.03)	4.02

For the purpose of resource allocation and business performance evaluation, the management of the Group adopts Earned Management Fee Income as an additional financial measurement indicator. Earned Management Fee Income refers to the management fee income received by the Group as the fund manager in accordance with relevant agreements of fund management.

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

*MANAGEMENT DISCUSSION AND ANALYSIS continued*

For the six months ended 30 June 2022

**FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2022**

(continued)

**Earned Management Fee Income (continued)**

During the reporting period, management fee income as presented in the financial report was HK\$150 million. After making adjustments<sup>6</sup> between the Earned Management Fee Income recognised by the Group for the current reporting period and the management fee income presented in accordance with the Hong Kong Financial Reporting Standards (the total amount of three adjustments was HK\$252 million), Earned Management Fee Income of the Group was HK\$402 million, representing a year-on-year decrease of 12%. Specifically, Earned Management Fee Income of primary market was HK\$299 million, representing a year-on-year decrease of 14%, mainly because certain funds entered the exit period or the extension period, leading to a decrease in management fee. Earned Management Fee Income of secondary market was HK\$40 million while Earned Management Fee Income of Fund of Funds was HK\$63 million, which were generally stable compared with the same period last year.

<sup>6</sup> The adjustments between the Earned Management Fee Income recognised by the Group for the current reporting period and the management fee income presented in accordance with the Hong Kong Financial Reporting Standards include (a) elimination of management fee income from consolidated funds: the Group acts as both the fund manager and the major limited partner in certain funds, where the management fee paid by the fund and the management fee income received by the fund manager are eliminated when consolidating into the Group's consolidated financial statements; (b) management fee income received by associates/joint ventures: (i) the Group acts as the joint fund manager through the establishment of a joint venture with a third party, and the management fees received by such joint venture are presented as the Group's share of profits from the joint venture; (ii) Everbright Jiabao, an associate of the Group, holds 51% interest in EBA Investments, which is included in Everbright Jiabao's scope of consolidation. The Group holds the remaining 49% interest in EBA Investments through another subsidiary and such interest is accounted for as financial assets. The management fee income of EBA Investments is reflected in share of profits of associates of the Group; and (c) other accounting adjustments.

MANAGEMENT DISCUSSION AND ANALYSIS *continued*

For the six months ended 30 June 2022

## FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2022

(continued)

## Profit

Profit in Key Business Segments (in HK\$ hundred million)	2022 1H	2021 1H	Change
(Loss)/profit from Fund Management Business	(17.69)	12.14	N/A
(Loss)/profit from Principal Investments Business:	(3.17)	14.98	N/A
– Key investee companies	(0.53)	1.30	N/A
– Financial investments	(10.79)	4.01	N/A
– Cornerstone investments	8.15	9.67	(16%)
Less: Unallocated corporate expenses, taxes and profit attributable to holders of senior perpetual capital securities	(5.69)	(9.31)	(39%)
(Loss)/profit attributable to shareholders of the Company	(26.55)	17.81	N/A

During the reporting period, the loss attributable to shareholders of the Company was HK\$2,655 million, whereas profit of HK\$1,781 million was recorded over the same period last year.

Reasons for loss:

- (1) The loss of Fund Management Business was HK\$1,769 million, whereas profit of HK\$1,214 million was recorded over the same period last year, mainly because the Group used seed capital to invest in the managed funds while the market value or the valuation of investment projects held by funds as of 30 June 2022 was reduced compared with the end of 2021, causing an unrealised loss of HK\$2,873 million.
- (2) The loss of Principal Investments Business was HK\$317 million, whereas profit of HK\$1,498 million was recorded over the same period last year. Specifically, the loss of key investee companies was HK\$53 million, mainly due to full provision for impairment of the two aircrafts leased to the Russian client by CALC, leading to negative earnings in the current period. The loss of financial investments was HK\$1,079 million, mainly due to investment loss caused by fluctuation in the market value of investment projects. The profit of cornerstone investments was HK\$815 million, mainly due to a slight decrease in the profit and income contribution from the Group's equity interests of Everbright Securities and China Everbright Bank.

MANAGEMENT DISCUSSION AND ANALYSIS *continued*

For the six months ended 30 June 2022

## FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2022

(continued)

## Dividend

Per Share (HK\$)	2022 1H	2021 1H	Change
(Loss)/earnings per share	(1.58)	1.06	N/A
Interim dividend per share	0.15	0.28	(46%)

Although the Group recorded unrealised loss on investments and net loss due to a decrease in valuation of investment projects during the reporting period, the unrealised loss on investments did not impose a direct impact on the Group's cash flow. During the reporting period, project exit and capital withdrawn of the Group were sound with a sufficient liquidity and the overall financial, business and operating conditions remained stable. Following the practice of sharing the Company's operating results with shareholders, the Board declared an interim dividend of HK\$0.15 per share for 2022 (2021 interim dividend: HK\$0.28 per share).

## Key Financial Ratios

Key Financial Data <sup>7</sup>	30 June 2022	31 December 2021	Change
Gearing ratio <sup>8</sup>	80.4%	68.4%	+12.0 ppt
Debt-to-asset ratio <sup>9</sup>	52.9%	49.9%	+3.0 ppt
Current ratio <sup>10</sup>	124.5%	106.2%	+18.3 ppt

The Group executed refined cost control to reduce carbon emission at operation level and boosted operating efficiency through technological and electronic means. Operating costs<sup>11</sup> for the first half of the year amounted to HK\$447 million, representing a year-on-year decrease of 17.4%.

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

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

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

<sup>10</sup> The current ratio is calculated as current assets/current liabilities.

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

*MANAGEMENT DISCUSSION AND ANALYSIS continued*

For the six months ended 30 June 2022

**FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2022**

(continued)

**Key Financial Ratios (continued)**

As at the end of June 2022, gearing ratio of the Group was 80.4%, representing an increase of 12.0 ppt compared to the end of last year. This was mainly attributable to two factors: (1) funds raised from the Group's issuance of medium term notes of RMB3 billion in June 2022 which would be used to repay the corporate bonds due or puttable in July and November 2022 and the relevant interests payable, resulting in a temporary increase of approximately 7.7 ppt in gearing ratio as at the end of June 2022. The impact shall be eliminated upon the utilisation of the funds raised to repay the existing bonds; (2) as at the end of June 2022, total equity of the Group decreased by HK\$5.71 billion compared to the end of last year, resulting in a passive increase in gearing ratio. Excluding the impact of the issuance of medium term notes of RMB3 billion in the first half of the year, as at the end of June 2022, the Group's interest bearing borrowings amounted to HK\$32.95 billion, representing a decrease of HK\$1.98 billion compared to the end of last year, which partially offset the impact of the passive increase in gearing ratio due to the decrease in total equity.

As at the end of June 2022, the Group had cash and cash equivalents of HK\$10,354 million and unutilised bank facilities available for use of approximately HK\$6,823 million, representing sufficient liquidity and a sound overall financial condition.

MANAGEMENT DISCUSSION AND ANALYSIS *continued*

For the six months ended 30 June 2022

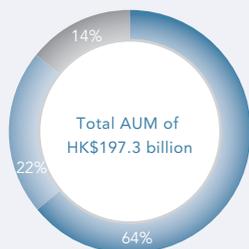
## BUSINESS PERFORMANCE ANALYSIS

## Fund Management Business

In the first half of 2022, the Group continued to facilitate fundraising and maintained its market position as a leading fund management institution in China. The total AUM of the Group's funds reached approximately HK\$197.3 billion as at 30 June 2022. In terms of source of funding, the Group's seed capital accounted for 21%; and the funds from external investors accounted for 79% of the AUM, where external investors were primarily institutional investors, with a diversified range of institutions covering commercial banks, insurance companies, family offices, government agencies and others. In terms of currency, funds denominated in RMB and non-RMB currencies were equivalent to approximately HK\$144.5 billion and HK\$52.8 billion, accounting for 73% and 27% of the total amount, respectively. In terms of the nature of funds, the Group's Fund Management Business managed 47 primary market funds, 31 secondary market funds and accounts and 8 FoFs products.

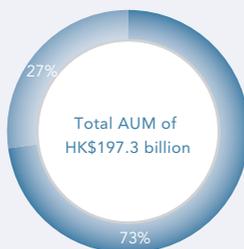
During the reporting period, the Group tailored to the circumstances to stably enhance the quality of fundraising and make prudent investment decisions to sensibly exit from prevailing projects. The Fund Management Business exited, fully or partially, from 25 projects, recording a cash inflow of approximately HK\$3,517 million.

FUND BUSINESS SEGMENTS



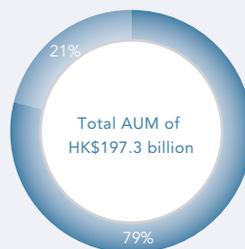
- Primary market fund
- Secondary market fund
- FoFs

BY CURRENCY



- AUM denominated in RMB
- AUM denominated in non-RMB currencies

BY SOURCE OF FUNDING



- External capital
- CEL's seed capital

*MANAGEMENT DISCUSSION AND ANALYSIS continued*

For the six months ended 30 June 2022

**BUSINESS PERFORMANCE ANALYSIS** (continued)**Fund Management Business** (continued)**Primary Market Funds**

As at 30 June 2022, 47 primary market fund products were under the management of the Group, with an aggregate AUM equivalent to approximately HK\$126.4 billion, out of which amounts equivalent to approximately HK\$104.4 billion and HK\$22.0 billion were denominated in RMB and other currencies, accounting for 83% and 17% of the total amount, respectively.

From the fundraising perspective, the Group newly set up Capital Everbright Specialised and New Enterprises Fund and Nanjing Direct Investment Fund for Belt & Road Initiative Green Fund, while several funds were in the fundraising stage with progressive results. In particular, Asian Infrastructure Investment Bank has approved to commit US\$100 million in CEL Infrastructure Investment Fund II. From the investment perspective, the Group focused on fields such as technology, environmental protection and advanced manufacturing, and invested in green energy enterprises, including China Nuclear Huineng, Delan Minghai, Yingzhen Technology, etc., and new economy technology enterprises, including Denglin Technology, Smartbi, GZ Luxvisions, etc. From the exit perspective, the Group made use of both transfer and IPO as exit channels. In particular, it exited the Norway public transport project through overseas transfer to generate satisfactory cash inflow for the Group. In the first half of the year, the Group had four IPO projects, namely Recbio, Credo Technology, ASR Microelectronics and iSoftStone, and they were listed on the Stock Exchange of Hong Kong, the NASDAQ in the US, Shanghai's STAR Market and Shenzhen's ChiNext Board, respectively.

*MANAGEMENT DISCUSSION AND ANALYSIS continued*

For the six months ended 30 June 2022

**BUSINESS PERFORMANCE ANALYSIS** (continued)**Fund Management Business** (continued)**Secondary Market Funds**

As at 30 June 2022, CEL's secondary market business managed a total of 31 funds and accounts with AUM of approximately HK\$43.9 billion. In terms of product categories, fixed income products and equity products accounted for 87% and 13% of the total amount respectively.

By drawing upon its own advantages, CEL's secondary market fund has built a one-stop product business portfolio with years of cross-border experience, which covers Asian credit bond hedge funds, Asian convertible bond hedge funds, overseas Greater China equity hedge funds, domestic A+H share long-only strategies (including private fund managers and institutional investors outsourcing) and investment advisory business. In respect of fixed income products, CEL has a diversified product line covering overseas funds, QFII management accounts, overseas management accounts and asset securitisation products. Everbright Convertible Opportunities Fund, a flagship Asian convertible bond product, delivered sound results during the reporting period, with AUM exceeding US\$150 million. Since its launch in January 2014, Everbright Convertible Opportunities Fund has achieved an accumulative return of 80.1% net of fees with an annualised return of 7.2%. During the reporting period, the fund received the "Best Asian Hedge Fund (3-year)" and "Best Asian Hedge Fund (5-year)" awards by the 2022 I&M Professional Investment Award, demonstrating the recognition of the team's investment capability and comprehensive strength by rating agencies.

The Group served as investment adviser to Everbright Income Focus Fund, a public bond fund in Hong Kong. The size of the fund exceeded US\$100 million with an annualised return of almost 4% since its establishment. The product was awarded five-star rating (being the highest rating) by Morningstar, an authoritative fund rating agency, in overall rating and three-year rating, for its superior performance and risk-adjusted returns.

## MANAGEMENT DISCUSSION AND ANALYSIS *continued*

For the six months ended 30 June 2022

### BUSINESS PERFORMANCE ANALYSIS (continued)

#### Fund Management Business (continued)

##### Fund of Funds

CEL's FoFs not only invested in external funds with proven track record and robust governance, but also invested in funds launched and managed by CEL, and co-invested or directly invested in equity projects. As at 30 June 2022, CEL's FoFs team managed 8 FoFs with an AUM of RMB23.1 billion, equivalent to approximately HK\$27.0 billion.

In the first half of 2022, CEL's FoFs continued to target the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and other strategic areas, and improved its investment deployment in central China, eastern China and southern China, attracting government agencies in many regions in China to become investors of the FoFs. The development model of FoFs has received wide recognition from many local governments. As at the end of June 2022, there were 91 invested projects (sub-funds and co-invested equity projects) under the FoFs, and a total of 81 investees in the invested sub-funds and co-invested projects of the FoFs were listed.

During the reporting period, due to its outstanding performance, CEL's FoFs was awarded "2021 China's Best Market-oriented FoFs Top 10" by Venture Capital; "2021 LPs Top 20 in the Market Institutions" on FoF Weekly's 2021 ranking; and "2021 China's Best LPs Top 30" on ChinaVenture Association's 2021 ranking.

##### Real Estate Investment and Asset Management Business

As at 30 June 2022, CEL held 29.17% equity interest in Everbright Jiabao, an A-share listed company (stock code: 600622.SH), as its largest shareholder. Everbright Jiabao managed 36 projects through EBA Investments, with AUM of approximately RMB45.5 billion, equivalent to approximately HK\$53.2 billion. In the first half of 2022, Everbright Jiabao/EBA Investments adhered to the overall strategy of stable operation, continued to optimise the operating condition of projects under management, endeavoured to boost the operating and management standards of projects, made full use of its advantage of comprehensive real estate and asset management capability to promote business development, and displayed superior competitive edges in the field of real estate and asset management. Currently, EBA Investments managed a total of 23 IMIX Parks in China, primarily located at the city centre of various provinces in China.

*MANAGEMENT DISCUSSION AND ANALYSIS continued**For the six months ended 30 June 2022***BUSINESS PERFORMANCE ANALYSIS** (continued)**Fund Management Business** (continued)**Real Estate Investment and Asset Management Business** (continued)

In addition, EBA Investments also proactively bolstered the real estate asset securitisation business and successfully obtained the letter of no-objection issued by the Shenzhen Stock Exchange in relation to a new batch of shelf-registered REITs projects for an approved scale of RMB15 billion during the reporting period. During the reporting period, EBA Investments was ranked first in the “2022 Top 10 Funds in terms of Comprehensive Strength among China Real Estate Funds” jointly appraised by the China Enterprise Evaluation Association, Property Research Institute of Tsinghua University and Beijing China Index Academy for eight consecutive years.

**Principal Investments Business**

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

As at 30 June 2022, the principal investments business managed 70 post-investment projects with an aggregate carrying amount of approximately HK\$38.5 billion. Among these projects, the total carrying amount of equity interest held in CALC, Everbright Senior Healthcare and Terminus was approximately HK\$7.0 billion; the fair value of financial investments was approximately HK\$12.7 billion; the fair value of the cornerstone investments in China Everbright Bank was HK\$5.5 billion, and the carrying amount of Everbright Securities accounted for as an associate was HK\$13.3 billion.

MANAGEMENT DISCUSSION AND ANALYSIS *continued*

For the six months ended 30 June 2022

## BUSINESS PERFORMANCE ANALYSIS (continued)

## Principal Investments Business (continued)

Principal investments ( <i>in HK\$ hundred million</i> )	30 June 2022	31 December 2021
– Key Investee Companies	70	70
– Financial Investments	127	151
– Cornerstone Investments	188	199
Total	385	420

## Key Investee Companies

## CALC

As at 30 June 2022, CEL held 38.12% of the equity interest in CALC (stock code: 1848.HK), as its largest shareholder. CALC is a one-stop full life-cycle solutions provider for global airlines. CALC's scope of business includes regular operations such as aircraft operating leasing, leaseback after purchase and structured financing, and value-added services such as fleet planning, fleet upgrading, aircraft disassembling and parts selling. It also elevates aircraft asset value through flexible aircraft asset management. At the same time, CALC has the advantages of dual-platform financing, leasing and sales channels, as well as a strong capability and rich experience in financing both domestically and abroad. As at 30 June 2022, CALC had a fleet of 163 aircraft with an increase of 11 aircraft from the end of 2021, consisting of 138 owned aircraft and 25 managed aircraft. CALC's owned and managed aircraft are leased to 38 airlines in 17 countries and regions.

The conflict between Russia and Ukraine in early 2022 led to relevant international sanctions. Following the principle of prudence, CALC has fully written down the net book value of the 2 aircraft stranded in Russia as a result of the conflict, and the net impairment amounted to HK\$439 million; after deducting the net impairment, CALC's loss attributable to the shareholders was HK\$130 million in the first half of 2022, of which the loss attributable to CEL was HK\$50 million. Excluding the effect of the above impairment, profit attributable to shareholders of CALC for the first half of 2022 amounted to HK\$309 million, representing an increase compared to the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *continued*

For the six months ended 30 June 2022

## BUSINESS PERFORMANCE ANALYSIS (continued)

## Principal Investments Business (continued)

## Key Investee Companies (continued)

*Everbright Senior Healthcare*

Everbright Senior Healthcare has capitalised on the policy of the senior healthcare industry and seized the development opportunities in China's healthcare industry to set up a three-level elderly service model supported by institutional and community-based elderly services and supplemented by in-home elderly services. By building a smart elderly care platform and following the principle of light-asset and high-quality development, Everbright Senior Healthcare pressed ahead with a diversified industrial deployment with rehabilitation and nursing as its core services and travel senior healthcare services as a complement to its core business. As at 30 June 2022, Everbright Senior Healthcare has formed a "3+X" national deployment covering Beijing-Tianjin- Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macao and 50 cities across the country, with 33,000 beds under management and 176 senior healthcare institutions and community service centers. Everbright Senior Healthcare has unique advantages in brand reputation, service professionalism, industry popularity and customer loyalty. It continued to rank the top position in the "Performance of Senior Healthcare Institutions" monthly released by Guandian Index.

*Terminus*

Terminus continued to improve its whole series of products and solutions based on a city operating system, CITY OS-TacOS, officially launching the Yuanqi Building Automation System and Digital Sentinel Smart Epidemic Prevention Solution, and releasing an upgraded version of the Smart Building Integrated Management System. In the first half of 2022, Terminus introduced 3 world-renowned scientists to join the company, bringing together technical elites in related fields. Terminus has been making breakthroughs in AI research and development, and many of its research results have been accepted and published by CVPR (Conference on Computer Vision and Pattern Recognition), a summit in the field of artificial intelligence. Terminus focuses on the dual carbon strategy of "carbon peak and carbon neutral" by empowering low-carbon smart cities through multiple dimensions such as standard setting, industry cooperation and product upgrade. Terminus was highly recognised by the industry given the fact that it was selected as the Top 100 Unicorns in 2022 by CCID Technology (賽迪科創), Top 100 Value Companies in 2021 by Investors.cn (投資家), and was listed in Top 100 Artificial Intelligence Enterprises in 2021 by China Internet Week.

*MANAGEMENT DISCUSSION AND ANALYSIS continued*

For the six months ended 30 June 2022

**BUSINESS PERFORMANCE ANALYSIS** (continued)**Principal Investments Business** (continued)**Key Investee Companies** (continued)*Terminus* (continued)

As at 30 June 2022, the carrying amount of certain equity interests in Terminus held by the Group through its principal investments business and fund management business accounted for more than 5% of the Group's total assets, and the investment was regarded as a significant investment of the Group. The principal investments business and fund management business of the Group held approximately 10.4 million ordinary shares in Terminus in aggregate, representing 27.99% of the total share capital of Terminus, with an investment cost of approximately HK\$2.7 billion. The equity interests in Terminus are accounted for as financial assets at fair value through profit or loss of the Group. According to the assessment made by the Group's management based on the valuation by the external valuer, as at 30 June 2022, the fair value of the shares in Terminus held by the Group was HK\$5.5 billion, accounting for 12.1% and 5.7% of the Group's net assets and total assets, respectively. During the reporting period, Terminus's valuation remains stable, but due to exchange rate changes, the Group recorded an unrealised loss of HK\$49 million in the shares of Terminus held by the Group.

**Financial Investments**

CEL's financial investments funded by its own capital cover the following aspects: (1) based on the investment/co-investment opportunities brought by the Group's funds and extensive business network, investing in the equity or debt of unlisted companies; (2) investing in structured financing products with balanced returns and liquidity. As at 30 June 2022, CEL's financial investments amounted to HK\$12.7 billion, with the aggregate valuation of top 10 projects amounting to HK\$7.8 billion.

**Cornerstone Investments**

As at 30 June 2022, the carrying amount of certain portion of equity interests in Everbright Securities and China Everbright Bank held by the Group as cornerstone investments each accounted for more than 5% of the Group's total assets and the two investments were regarded as significant investments of the Group. These two cornerstone investments held by the Group accounted for in aggregate 41.4% and 19.5% of the Group's net assets and total assets, respectively.

*MANAGEMENT DISCUSSION AND ANALYSIS continued*

For the six months ended 30 June 2022

**BUSINESS PERFORMANCE ANALYSIS** (continued)**Principal Investments Business** (continued)**Cornerstone Investments** (continued)*Everbright Securities (601788.SH)*

Established in 1996 with its headquarters in Shanghai, Everbright Securities is one of the first 3 innovative pilot securities firms approved by the China Securities Regulatory Commission. As at 30 June 2022, the Group held 956 million A-shares in Everbright Securities, representing 20.73% of its total share capital, with an investment cost of HK\$1,497 million. Everbright Securities is accounted for as an associate of the Group. The carrying amount of the shares held by the Group was HK\$13.3 billion, accounting for 29.2% and 13.8% of the Group's net assets and total assets respectively. Based on the closing price of RMB15.76 per share as at 30 June 2022, the fair value of the shares in Everbright Securities held by the Group was HK\$17.6 billion. During the reporting period, the Group's share of profit from Everbright Securities as an investment in associate was HK\$429 million, representing a year-on-year decrease of 24.0%.

*China Everbright Bank (601818.SH)*

Established in August 1992, China Everbright Bank is a national joint-stock commercial bank approved by the State Council and the People's Bank of China. As at 30 June 2022, the Group held 1.57 billion A-shares in China Everbright Bank, representing 2.91% of the total share capital of China Everbright Bank, with an investment cost of HK\$1,407 million. The shares in China Everbright Bank held by the Group are accounted for as equity investments designated at fair value through other comprehensive income. Based on the closing price of RMB3.01 per share as at 30 June 2022, the carrying amount and fair value of the shares in China Everbright Bank held by the Group amounted to HK\$5.5 billion, accounting for 12.2% and 5.7% of the Group's net assets and total assets respectively. During the reporting period, the Group's income from China Everbright Bank was HK\$372 million, representing a year-on-year decrease of 7.5%.

## MANAGEMENT DISCUSSION AND ANALYSIS *continued*

For the six months ended 30 June 2022

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As a leading cross-border asset management and investment company in the market, the Group has long adhered to integrating environmental, social and governance responsibilities into its operation and management, continuously improving its risk management and internal control system in line with these responsibilities. By following its excellent, prudent, and effective corporate governance principles, adhering to legal compliance, standardized operation and green management, and actively responding to changes in the external environment, the Group can ensure the healthy and sustainable development of the Company and safeguard the long-term interests of the Company and its shareholders. The Board continues to strengthen its regulation of ESG issues by identifying key ESG issues and participating in risk and opportunity assessments of the importance of the issues, including environmental, social and governance-related risks, to ensure that the Company performs effective and adequate risk management. During the reporting period, the Group's MSCI ESG grade was upgraded from B to BB while the score rose to 4.6.

### OUTLOOK

Looking forward to the second half of 2022, it is expected that most of the world's economies will be still facing inflationary pressure and the global economy will develop on a divergent trajectory. IMF pointed out in its July report that problems such as energy and food supply will likely exacerbate economic instability and cut global economic growth to 3.2%. Looking ahead to the second half of the year, China's economic development will face a more severe and complex external environment where domestic demands will become the key to stabilising the macroeconomic market instead of external demands. With the optimisation of the epidemic prevention policy, the impact of the epidemic on the economy will be weakened. Coupled with a series of economic stabilisation policies that will gradually take effect, the economy is expected to recover quarter by quarter.

Based on the aforementioned macroeconomic analysis, the Group will adhere to the tactics of "seeking stability amidst crisis, making progress amidst stability and improving quality amidst progress" in the second half of the year and steadily promote high-quality transformation. Based in the mainland and Hong Kong markets, the Group can make full use of cross-border resources, fully promoting the high-quality development of fund management business and the comprehensive improvement of professional investment capability. The Group will continue to focus on building its core capacity in cross-border asset management, expand the scale of asset management, enhance the contribution of management fee income, and effectively improve its ability to generate stable profits.

*MANAGEMENT DISCUSSION AND ANALYSIS continued*

For the six months ended 30 June 2022

**OUTLOOK** (continued)

In terms of fundraising, we will strengthen the promotion and implementation of fundraising work and make every effort to accelerate the launching of funds. Efforts will be made to promote the process of contract signing, registration and filing for a number of launched funds and strive to complete the establishment of funds as soon as possible. We will also promote the expansion of cross-market business of USD and RMB funds, and boost management fee income with the increase of asset management scale. In terms of investment, we will seize the opportunity to capture suitable domestic and overseas investment opportunities during the valuation correction of projects in the primary market. The slowdown in the economic recovery and the market correction of global asset price levels are opportunities for the private equity industry to seek quality projects at reasonable valuations. By strengthening our in-depth research on policies, industries and sectors, as well as our abundant reserves of project resources, the Group will continue to pursue a diversified investment strategy focusing on the growth logic of corporate core values in the areas of technology innovation, specialties, medical and healthcare, consumer and green environment. In terms of management, we will strengthen post-investment management and risk control. With a stable and transparent valuation system, we will take a proactive approach to risk prevention and control to ensure that no significant risks occur. In terms of exit, we will continue to take advantage of our diversified exit pipeline and seize the exit window. By integrating M&A, transfer and IPO, we can achieve post-investment management and value recreation at the exit stage. We will further promote project exit from the overseas M&A market while taking advantage of the longer exit period in the private equity industry to focus on the realisation of the core value of projects. Upon a professional analysis of market fluctuations, we will choose the appropriate timing, opportunity and manner to exit.

There are opportunities in the market and room for growth. The Group has an outstanding investment track record and is a professional alternative asset management and investment institution with a strong ability to invest throughout the cycle. Over the past 20 years, although the Group has experienced several rounds of global economic shocks and changes in macro trends, its capital allocation still generated steady returns. The Group even repeatedly turned crises into opportunities and secured the entitlement to develop. Based on the current situation and with a long-term perspective, the Group will adhere to its business model of combining domestic and overseas operations, fully leverage the advantages of its cross-border and diversified investment portfolio, stick to the core value of investing in growth companies, and promote high-quality development to bring long-term growth returns to its shareholders and investors.

## MANAGEMENT DISCUSSION AND ANALYSIS *continued*

For the six months ended 30 June 2022

### FINANCIAL POSITION

As at 30 June 2022, the Group's total assets amounted to HK\$96.314 billion (31 December 2021: HK\$101.794 billion) with net assets amounting to HK\$45.325 billion (31 December 2021: HK\$51.037 billion). Equity attributable to the Company's shareholders was HK\$41.709 billion (31 December 2021: HK\$46.936 billion) and equity attributable to shareholders of the Company per share was HK\$24.75 (31 December 2021: HK\$27.85).

### FINANCIAL RESOURCES

The Group adopts a prudent approach in liquidity management to ensure liquidity risk control and reduce cost of funds. The Group finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 30 June 2022, the Group had cash and bank balances of HK\$10.354 billion (31 December 2021: HK\$7.155 billion). Currently, most of the Group's cash is denominated in Hong Kong dollars and Renminbi.

### BORROWING

As at 30 June 2022, the Group's interest bearing borrowings amounted to HK\$36.457 billion (31 December 2021: HK\$34.931 billion), which included the RMB3.0 billion medium term notes issued by the Group in June 2022. All the proceeds from the issuance of the medium term notes would be used to repay the corporate bonds due or puttable in July and November 2022 and the relevant interests payable. Excluding the temporary impact of medium term notes, the Group's interest bearing borrowings as at 30 June 2022 decreased by HK\$1.982 billion compared with 31 December 2021.

*MANAGEMENT DISCUSSION AND ANALYSIS continued*

For the six months ended 30 June 2022

**BORROWING** (continued)

The Group will review and ensure sufficient banking facilities to reserve resources to support its business development. As at 30 June 2022, the Group had banking facilities of HK\$27.224 billion (31 December 2021: HK\$31.906 billion), of which HK\$6.823 billion (31 December 2021: HK\$10.040 billion) had not been utilised. The banking facilities were of one to ten years' terms. The Group had outstanding bank loan of HK\$20.401 billion (31 December 2021: HK\$21.866 billion), decreased by HK\$1.465 billion compared with 31 December 2021, of which HK\$17.806 billion (31 December 2021: HK\$19.016 billion) was unsecured. The Group had issued corporate bonds with outstanding principal amount of HK\$16.029 billion (31 December 2021: HK\$13.037 billion). The interest bearing borrowings were mainly denominated in Renminbi, Hong Kong dollars and United States dollars, representing 49%, 40%, 9% of the total respectively. As at 30 June 2022, approximately 54% of the Group's total principal amount of borrowing were at floating rates and the remaining 46% were at fixed rates. The maturity profile of the Group's borrowings is set out in note 22 of the Notes to the Financial Statements in this report.

**PLEDGE OF ASSETS**

As at 30 June 2022, restricted bank balances of HK\$48 million (31 December 2021: HK\$49 million) were pledged to the banks for sales of mortgaged properties to customers and interest reserve account on borrowings, and HK\$252 million (31 December 2021: HK\$212 million) were used to secure certain bonds payable of the Group. Investment properties, property, plant and equipment, inventories and stocks with carrying value of HK\$4,549 million (31 December 2021: HK\$4,759 million), HK\$22 million (31 December 2021: HK\$23 million), HK\$419 million (31 December 2021: HK\$438 million) and HK\$1,690 million (31 December 2021: HK\$1,650 million), respectively, and were mortgaged to secure certain bank loans granted to the Group. Pursuant to the prime brokerage agreements entered with the prime brokers of a fund held by the Group, cash and securities deposited with the prime brokers were secured against liabilities to the prime brokers. As at 30 June 2022, assets deposited with the prime brokers included HK\$1,206 million (31 December 2021: HK\$1,618 million) and HK\$177 million (31 December 2021: HK\$89 million) which formed part of the Group's trading securities and debtors respectively. Analysis on collateral of the Group's bank loans and bonds payable is set out in note 17 and note 18 of the Notes to the Financial Statements in this report.

*MANAGEMENT DISCUSSION AND ANALYSIS continued*

For the six months ended 30 June 2022

## EMPLOYEES

As at 30 June 2022, the Group's headquarters and wholly owned subsidiaries had 273 (31 December 2021: 282) full-time employees. The Group ensures that the remuneration packages for employees are fair and competitive and are determined by position, duties, experience and performance of employees. Other benefits to employees include medical insurance, retirement scheme and training programmes.

## EBA YIDA

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

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

## PRINCIPAL RISKS AND UNCERTAINTIES

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

## DISCLOSURE OF INTERESTS

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

As at 30 June 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (as defined under Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register of directors' and chief executives' interests and short positions of the Company required to be maintained under section 352 of the SFO were as follows:

#### Long position in shares of the Company:

Name of Directors	Total	Personal interest	Other interest	% of total issued shares
Zhang Mingao	208,567	–	208,567 <sup>(1)</sup>	0.01%
Wang Hongyang	166,854	–	166,854 <sup>(1)</sup>	0.01%
Chung Shui Ming Timpson	50,000	50,000	–	0.00%

Note:

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

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined under Part XV of the SFO) as recorded in the register of directors' and chief executives' interests and short positions of the Company.

*DISCLOSURE OF INTERESTS continued*

## MANAGEMENT'S SHAREHOLDING

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

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2022 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 30 June 2022, the following persons were recorded in the register kept by the Company under section 336 of the SFO as having interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

DISCLOSURE OF INTERESTS *continued*SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

## Long Position in Shares and Underlying Shares of the Company:

Name of shareholders	Total	Beneficial owner	Interests of controlled corporation	% of total issued shares
Central Huijin Investment Ltd. ("Huijin") <sup>(1)</sup>	838,306,207	–	838,306,207	49.74%
China Everbright Group Ltd. ("China Everbright Group") <sup>(2)</sup>	838,306,207	–	838,306,207	49.74%
CITIC Group Corporation <sup>(3)</sup>	152,088,000	–	152,088,000	9.02%
CITIC Limited <sup>(3)</sup>	152,088,000	–	152,088,000	9.02%
Prudential plc <sup>(3)</sup>	152,088,000	–	152,088,000	9.02%
CITIC-Prudential Life Insurance Company Limited <sup>(3)</sup>	152,088,000	152,088,000	–	9.02%

## Notes:

- Huijin was indirectly wholly-owned by the State Council of the People's Republic of China and held 63.16% equity interest in 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.
- 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 6,033,000 ordinary shares held by EIM pursuant to the SFO.

*DISCLOSURE OF INTERESTS continued*

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES** (continued)

- (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 30 June 2022, the Company had not been notified of any other person (other than the Directors or chief executives of the Company) having any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 30 June 2022.

### DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted its own “Code for Securities Transactions by Directors & Relevant Employees” (the “Code”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 of the Listing Rules to govern the securities transactions of the Directors and relevant employees of the Company. Following a specific enquiry made by the Company, all Directors confirmed that they have complied with the required standard set out in both the Code and the Model Code throughout the six months ended 30 June 2022.

### REVIEW BY AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee comprises Dr. Chung Shui Ming Timpson, Dr. Lin Zhijun and Mr. Law Cheuk Kin Stephen. The committee is chaired by Dr. Chung Shui Ming Timpson. All members are independent non-executive Directors.

The Audit and Risk Management Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial report of the Group for the six months ended 30 June 2022.

## OTHER INFORMATION

### CHANGES OF DIRECTOR'S INFORMATION

The change of information of the Director required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is as follow:

Mr. Law Cheuk Kin Stephen, an Independent Non-executive Director, resigned as an Independent Non-executive Director of Bank of Guizhou Co., Ltd. (stock code: 6199.HK) with effect from 25 August 2022.

### INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK\$0.15 per share for the six months ended 30 June 2022 (2021: HK\$0.28 per share) to those shareholders whose names appear on the register of members of the Company on Friday, 23 September 2022. The interim dividend will be paid on Friday, 7 October 2022.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 20 September 2022 to Friday, 23 September 2022, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 19 September 2022.

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

There was no purchase, sale or redemption of the Company's listed equity securities by the Company or any of its subsidiaries during the six months ended 30 June 2022.

By order of the Board  
China Everbright Limited  
Zhang Mingao  
*President*

Hong Kong, 25 August 2022