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光大控股
EVERBRIGHT LIMITED

中國光大控股有限公司

CHINA EVERBRIGHT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 165)

ANNOUNCEMENT

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 2024. The interim financial report is unaudited, but has been reviewed by KPMG (the auditor of the Company) in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, whose review report will be included in the interim report to be sent to shareholders. The interim financial report has also been reviewed by the Company’s Audit and Risk Management Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024 (unaudited)

	<i>Notes</i>	1 January to 30 June 2024 HK\$'000	1 January to 30 June 2023 HK\$'000
Turnover	3	<u>3,028,249</u>	<u>3,968,827</u>
Income from contracts with customers	3	213,127	320,699
Net (loss)/income from investments	3	(389,551)	731,601
<i>Interest income</i>		283,073	302,966
<i>Dividend income</i>		544,210	722,472
<i>Realised loss on investments</i>		(3,740)	(69,471)
<i>Unrealised loss on investments</i>		(1,213,094)	(224,366)
(Loss)/income from other sources		(95,584)	21,830
Impairment losses		(226,487)	(67,187)
Operating expenses		<u>(409,224)</u>	<u>(438,696)</u>
(Loss)/profit from operating activities	4	(907,719)	568,247
Finance costs		(769,988)	(757,663)
Share of profits less losses of associates	9	177,948	452,015
Share of profits less losses of joint ventures	10	<u>(20,302)</u>	<u>13,403</u>
(Loss)/profit before taxation		(1,520,061)	276,002
Income tax credit	5	<u>277,080</u>	<u>134,608</u>
(Loss)/profit for the period		<u>(1,242,981)</u>	<u>410,610</u>
Attributable to:			
Equity shareholders of the Company		(1,282,100)	312,676
Holders of perpetual capital securities	21	39,335	44,416
Non-controlling interests		<u>(216)</u>	<u>53,518</u>
(Loss)/profit for the period		<u>(1,242,981)</u>	<u>410,610</u>
Basic and diluted (loss)/earnings per share	7	<u>HK\$(0.761)</u>	<u>HK\$0.186</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024 (unaudited)

	1 January to 30 June 2024	1 January to 30 June 2023
<i>Notes</i>	HK\$'000	HK\$'000
(Loss)/profit for the period	(1,242,981)	410,610
Other comprehensive income for the period:		
Items that will not be reclassified subsequently to profit or loss		
— Net movement in investment revaluation reserve of equity investments designated at fair value through other comprehensive income	429,644	(168,314)
Items that may be reclassified subsequently to profit or loss		
— Share of other comprehensive income and effect of foreign currency translation of associates	(24,744)	(375,419)
— Share of other comprehensive income and effect of foreign currency translation of joint ventures	(6,366)	(31,361)
— Other net movement in exchange reserve	(126,483)	(609,325)
	272,051	(1,184,419)
Total comprehensive income for the period	(970,930)	(773,809)
Attributable to:		
Equity shareholders of the Company	(996,747)	(649,415)
21 Holders of perpetual capital securities	39,335	44,416
Non-controlling interests	(13,518)	(168,810)
Total comprehensive income for the period	(970,930)	(773,809)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024 (unaudited)

		30 June 2024	31 December 2023
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		461,515	463,967
Investment properties	8	5,541,617	5,584,819
Investments in associates	9	17,861,199	17,709,713
Investments in joint ventures	10	906,296	932,964
Equity investments designated at fair value through other comprehensive income	11	5,462,542	5,032,899
Financial assets at fair value through profit or loss	12	<u>23,752,522</u>	<u>26,496,579</u>
		<u>53,985,691</u>	<u>56,220,941</u>
Current assets			
Financial assets at fair value through profit or loss	12	4,734,429	4,315,462
Advances to customers	13	3,056,057	3,070,573
Inventories		1,512,680	1,529,339
Debtors, deposits, prepayments and others	14	2,080,370	1,929,105
Trading securities	15	2,999,341	2,916,448
Finance lease receivables		9,552	17,976
Cash and bank balances		<u>9,734,946</u>	<u>9,588,078</u>
		<u>24,127,375</u>	<u>23,366,981</u>
Current liabilities			
Trading securities	15	(305,216)	(237,500)
Creditors, deposits received and accrued charges	16	(2,890,244)	(2,962,495)
Bank loans	17	(8,715,464)	(10,995,928)
Bonds payable	18	(4,930,515)	(6,069,140)
Other financial liabilities	19	(437,808)	(472,414)
Lease liabilities		(24,821)	(13,273)
Provision for taxation		<u>(615,076)</u>	<u>(582,592)</u>
		<u>(17,919,144)</u>	<u>(21,333,342)</u>
Net current assets		<u>6,208,231</u>	<u>2,033,639</u>
Total assets less current liabilities		<u>60,193,922</u>	<u>58,254,580</u>

		30 June	31 December
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current liabilities			
Bank loans	17	(5,617,220)	(7,607,680)
Bonds payable	18	(13,695,875)	(7,724,360)
Other financial liabilities	19	(6,402,650)	(6,768,868)
Lease liabilities		(7,562)	(10,593)
Deferred tax liabilities		(1,593,673)	(2,037,293)
		(27,316,980)	(24,148,794)
NET ASSETS		<u>32,876,942</u>	<u>34,105,786</u>
CAPITAL AND RESERVES			
Share capital	20	9,618,097	9,618,097
Reserves		<u>20,204,916</u>	<u>21,371,624</u>
Attributable to:			
Equity shareholders of the Company		29,823,013	30,989,721
Holders of perpetual capital securities	21	2,248,901	2,209,566
Non-controlling interests		<u>805,028</u>	<u>906,499</u>
TOTAL EQUITY		<u>32,876,942</u>	<u>34,105,786</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 (unaudited)

	Attributable to equity shareholders of the Company										
	Share capital	Option premium reserve	Investment revaluation reserve	Goodwill reserve	Capital reserve	Exchange reserve	Retained earnings	Total	Perpetual capital securities	Non- controlling interests	Total equity
<i>Notes</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2024											
As at 1 January 2024	9,618,097	1,242	3,625,710	(664,792)	(86,127)	(1,806,265)	20,301,856	30,989,721	2,209,566	906,499	34,105,786
Net movement by non-controlling shareholders	-	-	-	-	282	-	-	282	-	(87,953)	(87,671)
Dividend paid	-	-	-	-	-	-	(168,525)	(168,525)	-	-	(168,525)
Share of capital reserve of associates	-	-	-	-	(1,718)	-	-	(1,718)	-	-	(1,718)
Loss for the period	-	-	-	-	-	-	(1,282,100)	(1,282,100)	39,335	(216)	(1,242,981)
Other comprehensive income for the period	-	-	429,644	-	-	(144,291)	-	285,353	-	(13,302)	272,051
As at 30 June 2024	<u>9,618,097</u>	<u>1,242</u>	<u>4,055,354</u>	<u>(664,792)</u>	<u>(87,563)</u>	<u>(1,950,556)</u>	<u>18,851,231</u>	<u>29,823,013</u>	<u>2,248,901</u>	<u>805,028</u>	<u>32,876,942</u>
For the six months ended 30 June 2023											
As at 1 January 2023	9,618,097	1,242	3,997,995	(664,792)	(87,473)	(1,127,494)	22,751,628	34,489,203	2,341,083	1,046,815	37,877,101
Net movement by non-controlling shareholders	-	-	-	-	451	-	-	451	-	(307,591)	(307,140)
Dividends approved in respect of the previous year	-	-	-	-	-	-	(252,788)	(252,788)	-	-	(252,788)
Distribution to holders of perpetual capital securities	-	-	-	-	-	-	-	-	(44,744)	-	(44,744)
Profit for the period	-	-	-	-	-	-	312,676	312,676	44,416	53,518	410,610
Other comprehensive income for the period	-	-	(168,314)	-	-	(793,777)	-	(962,091)	-	(222,328)	(1,184,419)
As at 30 June 2023	<u>9,618,097</u>	<u>1,242</u>	<u>3,829,681</u>	<u>(664,792)</u>	<u>(87,022)</u>	<u>(1,921,271)</u>	<u>22,811,516</u>	<u>33,587,451</u>	<u>2,340,755</u>	<u>570,414</u>	<u>36,498,620</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024 (unaudited)

	1 January to 30 June 2024 HK\$'000	1 January to 30 June 2023 HK\$'000
Operating activities		
Cash generated from operations	736,062	1,484,546
Tax paid	<u>(129,590)</u>	<u>(69,325)</u>
Net cash inflow from operating activities	<u>606,472</u>	<u>1,415,221</u>
Investing activities		
Increase in restricted cash	(6,781)	(51,799)
Other cash flows arising from investing activities	<u>62,319</u>	<u>72,207</u>
Net cash inflow from investing activities	<u>55,538</u>	<u>20,408</u>
Financing activities		
Net (repayments)/borrowings of bank loans	(4,262,934)	2,188,875
Net proceeds/(repayments) of bonds payable	4,964,110	(243,344)
Redemption of non-controlling shareholders' shares	(87,953)	(300,632)
Repayment of lease liabilities	(15,450)	(14,547)
Interest paid	(796,523)	(838,455)
Dividends paid	(168,525)	–
Dividends paid to non-controlling shareholders	–	(942)
Distribution to holders of senior perpetual capital securities	–	<u>(44,744)</u>
Net cash (outflow)/inflow from financing activities	<u>(367,275)</u>	<u>746,211</u>
Net increase in cash and bank balances	294,735	2,181,840
Cash and bank balances		
Beginning of the period	9,531,117	7,945,641
Exchange rate adjustments	<u>(154,648)</u>	<u>(62,863)</u>
End of the period	<u>9,671,204</u>	<u>10,064,618</u>
Analysis of cash and bank balances		
Bank balances and cash-general accounts	9,734,946	8,913,860
Non-pledged time deposits with original maturity of less than three months when acquired	–	1,492,448
Restricted cash	<u>(63,742)</u>	<u>(341,690)</u>
End of the period	<u>9,671,204</u>	<u>10,064,618</u>

NOTES TO THE UNAUDITED FINANCIAL REPORT

For the six months ended 30 June 2024

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 29 August 2024.

The financial information relating to the year ended 31 December 2023 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 2023 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 predecessor auditor, Ernst & Young, has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for those described in note 2.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, 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 HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“2020 amendments”)
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“2022 amendments”)
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures — Supplier finance arrangements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 1, *Presentation of financial statements* (“2020 and 2022 amendments”, or collectively the “HKAS 1 amendments”)

The HKAS 1 amendments impact the classification of a liability as current or non-current, and are applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions in a full set of financial statements

Upon the adoption of the amendments, the Group has reassessed the classification of its liabilities as current or non-current and did not identify any reclassification to be made.

Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures — Supplier finance arrangements*

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk. Since those disclosures are not required for any interim period presented within the annual reporting period in which the amendments are initially applied, the Group has not made additional disclosures in this interim financial report.

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.

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

	1 January to 30 June 2024	1 January to 30 June 2023
	HK\$'000	HK\$'000
Income from contracts with customers		
Recognised over time		
Management fee income	80,523	98,277
Rental income from investment properties	107,855	107,473
Recognised at a point in time		
Consultancy fee and performance fee income	16,844	109,841
Sales of inventories	7,905	5,108
	213,127	320,699
Net (loss)/income from investments		
Interest income		
Financial assets not at fair value through profit or loss		
Bank deposits	57,988	72,280
Advances to customers	170,518	165,118
Debt investments	54,567	65,568
Dividend income		
Financial assets at fair value through profit or loss and trading securities	244,978	391,816
Equity investments designated at fair value through other comprehensive income	299,232	330,656
Realised loss on investments		
Net realised (loss)/gain on financial assets at fair value through profit or loss	(8,582)	75,607
Realised gain/(loss) on trading securities	4,842	(145,078)
Unrealised loss on investments		
Change of unrealised loss on financial assets at fair value through profit or loss	(1,257,874)	(318,884)
Change of unrealised gain on trading securities	44,780	94,518
	(389,551)	731,601

4. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

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

	1 January to 30 June 2024	1 January to 30 June 2023
	HK\$'000	HK\$'000
Depreciation and amortisation expenses	25,404	28,063
Employee expenses (wages, bonuses and allowances)	106,564	128,283

5. INCOME TAX

The provision for Hong Kong profits tax is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the six months ended 30 June 2024. Taxation for overseas subsidiaries is calculated at the appropriate current rates of taxation in the relevant tax jurisdictions.

The amount of taxation recognised in the condensed consolidated statement of profit or loss represents:

	1 January to 30 June 2024	1 January to 30 June 2023
	HK\$'000	HK\$'000
Current taxation		
— Hong Kong profits tax	6,452	—
— Overseas taxation	115,930	95,966
Over-provision in prior year	—	(2,107)
Deferred taxation		
— Deferred taxation relating to the reversal and origination of temporary differences	(399,462)	(228,467)
Income tax credit	(277,080)	(134,608)

6. DIVIDENDS

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

	1 January to 30 June 2024 HK\$'000	1 January to 30 June 2023 HK\$'000
— Interim dividend declared after the end of the reporting period of HK\$0.05 (six months ended 30 June 2023: HK\$0.15) per share	<u>84,263</u>	<u>252,788</u>

Subsequent to the period end, the Board of Directors declared an interim dividend of HK\$0.05 per share (six months ended 30 June 2023: HK\$0.15 per share) for the six months period ended 30 June 2024. 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 and approved during the period

	1 January to 30 June 2024 HK\$'000	1 January to 30 June 2023 HK\$'000
— Final dividend in respect of the previous financial year approved during the period of HK\$0.10 (six months ended 30 June 2023: HK\$0.15) per share	<u>168,525</u>	<u>252,788</u>

2023 final dividend of HK\$168,525,000 was approved during the period and distributed on 14 June 2024 (2022 final dividend of HK\$252,788,000 was approved and distributed during the prior period).

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 2024 is based on the loss attributable to equity shareholders of the Company of HK\$1,282,100,000 (six months ended 30 June 2023: profit attributable to equity shareholders of the Company of HK\$312,676,000) and the weighted average number of 1,685,253,712 shares (six months ended 30 June 2023: 1,685,253,712 shares) in issue during the period.

8. INVESTMENT PROPERTIES

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
As at 1 January	5,584,819	4,898,173
Net gain on revaluation of investment properties	–	760,263
Exchange adjustment	(43,202)	(73,617)
	<u>5,541,617</u>	<u>5,584,819</u>

9. INVESTMENTS IN ASSOCIATES

(a) Investments in associates

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Carrying value, net (<i>note</i>)	17,861,199	17,709,713
Market value of shares listed in mainland China	16,200,764	17,512,550
Market value of shares listed in Hong Kong	790,735	1,028,806

Note:

As at 30 June 2024, the Group's net carrying value of its investment in Everbright Jiabao Co., Ltd. ("Everbright Jiabao"), an associate of the Group, amounted to HK\$1,723,799,000 (31 December 2023: HK\$1,786,636,000).

The Group has reassessed the recoverable amount of Everbright Jiabao as at 30 June 2024 and concluded that no additional or reversal of impairment loss is required for the period.

During the year ended 31 December 2023, 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 2023, the accumulated impairment losses charged to profit or loss in prior years related to Everbright Jiabao amounted to HK\$1,598,827,000. The pre-tax discount rates applied in the cash flow projection of different key business operations of Everbright Jiabao ranged from 8.0% to 13.0% and the perpetual growth rate was 1.5%.

(b) As at 30 June 2024, 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 (<i>note 1</i>)	20.73%
China Aircraft Leasing Group Holdings Limited ^{##} (“CALC”)	Cayman Islands/ the PRC	Investment holding (<i>note 2</i>)	38.08%*
Everbright Jiabao ^{###}	The PRC	Real estate development/ real estate assets management (<i>note 3</i>)	29.17%*
China Everbright Senior Healthcare Company Limited (“Everbright Senior Healthcare”)	Hong Kong/ the PRC	Providing senior health care services (<i>note 4</i>)	49.29%* (<i>note 5</i>)

[#] Market value of the listed shares in mainland China as at 30 June 2024 was equivalent to HK\$15,314,145,000 (31 December 2023: HK\$16,267,262,000).

^{##} Market value of the listed shares in Hong Kong as at 30 June 2024 was HK\$790,735,000 (31 December 2023: HK\$1,028,806,000).

^{###} Market value of the listed shares in mainland China as at 30 June 2024 was equivalent to HK\$886,619,000 (31 December 2023: HK\$1,245,288,000).

* Held indirectly

Note 1: Everbright Securities is the Group’s cornerstone investment, with an investment cost of HK\$1,497,149,000 (31 December 2023: HK\$1,497,149,000).

Note 2: CALC is the Group’s key investee engaged in providing full life-cycle aircraft leasing solutions.

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 2024, 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% on a fully diluted basis.

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

10. INVESTMENTS IN JOINT VENTURES

(a) Investments in joint ventures

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Carrying value, net	<u>906,296</u>	<u>932,964</u>

(b) As at 30 June 2024, 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 (<i>note 1</i>)	50.0%*
山東高速光控產業投資基金管理 有限公司	The PRC	Fund management services (<i>note 2</i>)	48.0%*
CEL Capital Prestige Asset Management Co., Ltd.	The PRC	Assets management service (<i>note 3</i>)	49.0%*

* Held indirectly

Note 1: Wuxi Ronghong Guolian Capital Co. Ltd. is a joint venture of the Group to provide investment advisory services to a joint venture fund in mainland China.

Note 2: 山東高速光控產業投資基金管理有限公司 is a joint venture of the Group to provide fund management service to an industrial sector investment fund in mainland China.

Note 3: CEL Capital Prestige Asset Management Co., Ltd. is a joint venture of the Group 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.

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

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
At fair value:		
Listed equity securities		
— outside Hong Kong	<u>5,462,542</u>	<u>5,032,899</u>

The Group designated the investment in China Everbright Bank Company Limited (“China Everbright Bank”) as financial assets at fair value through other comprehensive income because the Group intends to hold for the long-term strategic purposes. The investment cost of the Group’s investment in China Everbright Bank is HK\$1,407,189,000 (31 December 2023: HK\$1,407,189,000).

No disposal was made during the six months ended 30 June 2024 and the year ended 31 December 2023, and there were no transfers of any cumulative gain or loss within equity relating to this investment (six months ended 30 June 2023: Nil).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Non-current assets		
At fair value:		
Unlisted equity securities/collective investment schemes		
— outside Hong Kong	18,177,562	20,789,666
Unlisted preference shares		
— outside Hong Kong	5,238,871	5,361,456
Unlisted debt securities		
— outside Hong Kong	336,089	345,457
	<u>23,752,522</u>	<u>26,496,579</u>
Current assets		
At fair value:		
Listed equity securities		
— in Hong Kong	1,153,952	1,106,006
— outside Hong Kong	608,465	885,741
Unlisted equity securities/collective investment schemes		
— outside Hong Kong	2,856,231	2,212,737
Unlisted debt securities		
— outside Hong Kong	115,781	110,978
	<u>4,734,429</u>	<u>4,315,462</u>

As at 30 June 2024, the Group's listed and unlisted equity securities amounting to a fair value of HK\$17,480,881,000 (31 December 2023: HK\$19,346,709,000) were investments in associates and joint ventures. The Group was exempted from applying the equity method to these investments and they were measured as financial assets at fair value through profit or loss.

During the six months ended 30 June 2024 and the year ended 31 December 2023, 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 was 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 2024	31 December 2023
	HK\$'000	HK\$'000
As at 1 January	7,129	227,136
Released during the period/year	–	(216,855)
Exchange adjustment	12	(3,152)
	<u>7,141</u>	<u>7,129</u>
As at 30 June 2024/31 December 2023	<u>7,141</u>	<u>7,129</u>

13. ADVANCES TO CUSTOMERS

	30 June 2024	31 December 2023
	HK\$'000	HK\$'000
Current assets		
Term loans to customers		
— secured	1,201,768	1,205,585
— unsecured	2,977,652	2,831,273
	<u>4,179,420</u>	<u>4,036,858</u>
Total term loans to customers	4,179,420	4,036,858
Less: Impairment allowance	(1,123,363)	(966,285)
	<u>3,056,057</u>	<u>3,070,573</u>
Net carrying value	<u>3,056,057</u>	<u>3,070,573</u>

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 2024	5,854	1,697,398	2,333,606	4,036,858
New assets originated or purchased	–	165,461	–	165,461
Transfer from Stage 2 to Stage 3	–	(627,399)	627,399	–
Exchange difference	10	(8,723)	(14,186)	(22,899)
	<u>5,864</u>	<u>1,226,737</u>	<u>2,946,819</u>	<u>4,179,420</u>
As at 30 June 2024	<u>5,864</u>	<u>1,226,737</u>	<u>2,946,819</u>	<u>4,179,420</u>
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 January 2023	1,924,142	21,484	1,919,923	3,865,549
New assets originated or purchased	1,178,812	–	–	1,178,812
Assets derecognised or repaid	(972,106)	–	–	(972,106)
Transfer from Stage 1 to Stage 2 and Stage 3	(2,112,156)	1,675,938	436,218	–
Exchange difference	(12,838)	(24)	(22,535)	(35,397)
	<u>5,854</u>	<u>1,697,398</u>	<u>2,333,606</u>	<u>4,036,858</u>
As at 31 December 2023	<u>5,854</u>	<u>1,697,398</u>	<u>2,333,606</u>	<u>4,036,858</u>

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 2024	5	334,923	631,357	966,285
Other changes (including new assets and derecognised assets)	–	(181,646)	338,724	157,078
	<u>5</u>	<u>153,277</u>	<u>970,081</u>	<u>1,123,363</u>
As at 30 June 2024	<u>5</u>	<u>153,277</u>	<u>970,081</u>	<u>1,123,363</u>
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 January 2023	11,220	6,710	584,186	602,116
Other changes (including new assets and derecognised assets)	(11,215)	328,213	47,171	364,169
	<u>5</u>	<u>334,923</u>	<u>631,357</u>	<u>966,285</u>
As at 31 December 2023	<u>5</u>	<u>334,923</u>	<u>631,357</u>	<u>966,285</u>

Except for the above impairment allowance of HK\$1,123,363,000 (31 December 2023: HK\$966,285,000), there were no other significant advances to customers, that were aged, requiring significant impairment provision as at 30 June 2024 and 31 December 2023.

14. DEBTORS, DEPOSITS, PREPAYMENTS AND OTHERS

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Accounts receivable	555,095	832,251
Deposits, prepayments, interest and other receivables and others	<u>2,118,345</u>	<u>1,614,138</u>
	2,673,440	2,446,389
Less: Impairment allowance	<u>(593,070)</u>	<u>(517,284)</u>
	<u>2,080,370</u>	<u>1,929,105</u>

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

The carrying amount of debtors, deposits, prepayments and others approximated to their fair values as at 30 June 2024 and 31 December 2023.

Their recoverability was assessed with reference to the credit status of the debtors, and impairment allowance of HK\$593,070,000 was provided as at 30 June 2024 (31 December 2023: HK\$517,284,000).

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 2023	1,790	1,634	154,170	157,594
Other changes (including new assets and derecognised assets)	(1,790)	28,724	333,311	360,245
Exchange difference	–	(5)	(550)	(555)
	<u>–</u>	<u>(5)</u>	<u>(550)</u>	<u>(555)</u>
As at 31 December 2023 and 1 January 2024	–	30,353	486,931	517,284
Other changes (including new assets and derecognised assets)	–	24,636	51,150	75,786
	<u>–</u>	<u>24,636</u>	<u>51,150</u>	<u>75,786</u>
As at 30 June 2024	<u>–</u>	<u>54,989</u>	<u>538,081</u>	<u>593,070</u>

15. TRADING SECURITIES

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Current assets		
At fair value:		
Listed equity securities		
— in Hong Kong	145,416	84,316
— outside Hong Kong	2,416	2,970
Listed debt securities		
— in Hong Kong	749,016	1,029,391
— outside Hong Kong	1,991,888	1,688,699
Listed funds	1,050	—
Unlisted debt securities	96,653	89,910
Derivatives		
— unlisted	12,902	21,162
	<u>2,999,341</u>	<u>2,916,448</u>
Current liabilities		
At fair value:		
Listed equity securities		
— in Hong Kong	(110,409)	(87,561)
— outside Hong Kong	(150,729)	(117,580)
Listed debt securities		
— outside Hong Kong	(7,432)	—
Listed funds	—	(4,421)
Derivatives		
— listed	—	(22)
— unlisted	(36,646)	(27,916)
	<u>(305,216)</u>	<u>(237,500)</u>

16. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Creditors, deposits received and accrued charges	<u>2,890,244</u>	<u>2,962,495</u>

17. BANK LOANS

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Maturity details are as follows:		
Within 1 year	8,715,464	10,995,928
1 to 2 years	2,044,576	5,701,040
2 to 5 years	3,177,498	1,480,539
Over 5 years	395,146	426,101
	<u>14,332,684</u>	<u>18,603,608</u>

As at 30 June 2024, the bank loans were secured as follows:

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Bank loans:		
— secured	1,611,273	2,161,399
— unsecured	12,721,411	16,442,209
	<u>14,332,684</u>	<u>18,603,608</u>

As at 30 June 2024, the bank loans were secured by:

- (a) Mortgage over certain investment properties with carrying value of approximately HK\$4,500 million (31 December 2023: approximately HK\$4,542 million);
- (b) Mortgage over certain property, plant and equipment with carrying value of approximately HK\$8 million (31 December 2023: Nil);
- (c) Mortgage over certain inventories with carrying value of approximately HK\$228 million (31 December 2023: approximately HK\$230 million); and
- (d) The pledge of equity interests in subsidiaries with carrying value of approximately HK\$1,443 million (31 December 2023: approximately HK\$1,475 million).

18. BONDS PAYABLE

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
As at 1 January	13,793,500	11,996,728
New issuance during the period/year	9,363,230	4,374,600
Repayments during the period/year	(4,399,120)	(2,422,404)
Exchange adjustment	(131,220)	(155,424)
As at 30 June 2024/31 December 2023	<u>18,626,390</u>	<u>13,793,500</u>

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Maturity details are as follows:		
Within 1 year	4,930,515	6,069,140
1 to 2 years	–	3,310,440
2 to 5 years	13,695,875	4,413,920
	<u>18,626,390</u>	<u>13,793,500</u>

As at 30 June 2024, the bonds payable were secured as follows:

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Bonds payable:		
— unsecured	<u>18,626,390</u>	<u>13,793,500</u>

19. OTHER FINANCIAL LIABILITIES

		30 June 2024	31 December 2023
	<i>Note</i>	HK\$'000	HK\$'000
Current:			
Financial liabilities to third party investors	<i>(a)</i>	<u>437,808</u>	<u>472,414</u>
Non-current:			
Financial liabilities to third party investors	<i>(a)</i>	<u>6,402,650</u>	<u>6,768,868</u>

- (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.

20. SHARE CAPITAL

	30 June 2024		31 December 2023	
	<i>No. of shares</i>		<i>No. of shares</i>	
	('000)	HK\$'000	('000)	HK\$'000
Ordinary shares issued and fully paid:				
End of period/year	<u>1,685,254</u>	<u>9,618,097</u>	<u>1,685,254</u>	<u>9,618,097</u>

21. PERPETUAL CAPITAL SECURITIES

	Principal HK\$'000	Distribution HK\$'000	Total HK\$'000
As at 1 January 2023	2,325,540	15,543	2,341,083
Issuance of perpetual medium term notes	2,184,880	–	2,184,880
Redemption of senior perpetual capital securities	(2,325,540)	–	(2,325,540)
Profit attributable to holders of perpetual capital securities	–	98,066	98,066
Distribution to holders of perpetual capital securities	–	(88,923)	(88,923)
	<u>2,184,880</u>	<u>24,686</u>	<u>2,209,566</u>
As at 31 December 2023 and 1 January 2024	2,184,880	24,686	2,209,566
Profit attributable to holders of senior perpetual capital securities	–	39,335	39,335
	<u>–</u>	<u>39,335</u>	<u>39,335</u>
As at 30 June 2024	<u>2,184,880</u>	<u>64,021</u>	<u>2,248,901</u>

In 2020, the Company issued senior perpetual capital securities with the principal amount of US\$300,000,000 (equivalent to approximately HK\$2,325,540,000). The 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. On 27 October 2023, the Company redeemed all of the outstanding senior perpetual capital securities of the principal amount of US\$300,000,000. 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.

In 2023, the Company issued perpetual medium term notes with the principal amount of RMB 2,000,000,000 (equivalent to approximately HK\$2,184,880,000). The distribution rate for the perpetual medium term notes is 3.60% per annum 3 years from the date of issuance (i.e., 8 September 2026), and subsequently the distribution rate will be reset in every 3 calendar years. The distribution of perpetual medium term notes is accrued in accordance with the distribution rate as set out in the subscription agreement, and such distribution shall be payable annually in arrears on 11 September of each year.

The senior perpetual capital securities and perpetual medium term notes 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. In substance, the senior perpetual capital securities and perpetual medium term notes were considered as perpetual capital securities.

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 2024

	Indefinite HK\$'000	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Liabilities							
— Bank loans	-	-	(5,370,770)	(3,344,694)	(5,222,074)	(395,146)	(14,332,684)
— Other financial liabilities	-	(437,808)	-	-	(2,529,687)	(3,872,963)	(6,840,458)
— Trading securities	(305,216)	-	-	-	-	-	(305,216)
— Bonds payable	-	-	(1,643,505)	(3,287,010)	(13,695,875)	-	(18,626,390)
— Lease liabilities	-	-	(8,043)	(16,778)	(7,562)	-	(32,383)
	<u>(305,216)</u>	<u>(437,808)</u>	<u>(7,022,318)</u>	<u>(6,648,482)</u>	<u>(21,455,198)</u>	<u>(4,268,109)</u>	<u>(40,137,131)</u>

As at 31 December 2023

	Indefinite HK\$'000	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Liabilities							
— Bank loans	-	-	(1,139,468)	(9,856,460)	(7,181,579)	(426,101)	(18,603,608)
— Other financial liabilities	-	(436,688)	(35,726)	-	(2,766,029)	(4,002,839)	(7,241,282)
— Trading securities	(237,500)	-	-	-	-	-	(237,500)
— Bonds payable	-	-	-	(6,069,140)	(7,724,360)	-	(13,793,500)
— Lease liabilities	-	-	(3,312)	(9,961)	(10,593)	-	(23,866)
	<u>(237,500)</u>	<u>(436,688)</u>	<u>(1,178,506)</u>	<u>(15,935,561)</u>	<u>(17,682,561)</u>	<u>(4,428,940)</u>	<u>(39,899,756)</u>

23. MATERIAL RELATED PARTY TRANSACTIONS

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

	1 January to 30 June 2024	1 January to 30 June 2023
	HK\$'000	HK\$'000
Management fee income from:		
— a joint venture	341	78
— associates exempted from applying the equity method and were recognised as financial assets at fair value through profit or loss	39,905	40,751
Consultancy and other service income from an associate	221	220
Bank interest income from a fellow subsidiary/a related party bank*	10,139	21,636
Dividend income from:		
— associates exempted from applying the equity method and were recognised as financial assets at fair value through profit or loss	–	101,465
— a fellow subsidiary/a related party bank*	299,232	330,656
Bank loans interest expense to a fellow subsidiary/a related party bank*	86,152	85,635
Consultancy fee to an associate and a fellow subsidiary/a related party bank*	5,694	5,004

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

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

	30 June 2024	31 December 2023
	HK\$'000	HK\$'000
Amounts due from associates and a fellow subsidiary/a related party bank (included in debtors, deposits, prepayments and others)	324,036	152,881
Bank deposits with a fellow subsidiary/ a related party bank (including bank deposits in trust accounts)	2,513,786	2,449,018
Advances to:		
— associates exempted from applying the equity method and were recognised as financial assets at fair value through profit or loss	2,235,402	2,246,484
— an associate	1,040,887	1,048,306
Bank loans from a fellow subsidiary/a related party bank	(1,990,000)	(3,490,000)
Interests in collective investment schemes issued by a joint venture (included in financial assets at fair value through profit or loss)	1,276,440	1,468,987

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.

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

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

(c) Transactions with other PRC state-owned entities

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (“State-owned Entities”). Transactions with other State-owned Entities include but are not limited to: lending and deposit taking; 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.

24. COMMITMENTS

(a) Capital commitments

As at 30 June 2024, the Group had capital commitments as follows:

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Contracted but not provided for:		
— consolidated structured entities	4,852,509	4,868,718
— unconsolidated structured entities	5,198,816	5,520,919
— unlisted equity investments	179,579	179,253
	<u>10,230,904</u>	<u>10,568,890</u>

- (b) As at 30 June 2024, 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 2024	31 December 2023
	HK\$'000	HK\$'000
Within 1 year	182,778	183,231
After 1 year but within 2 years	166,506	163,696
After 2 years but within 3 years	117,132	150,809
After 3 years but within 4 years	84,575	105,060
After 4 years but within 5 years	68,914	77,183
After 5 years	202,634	257,732
	822,539	937,711

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

The fair values and the contractual or notional amounts of the Group's trading derivatives outstanding at 30 June 2024 are detailed as follows:

	Fair value assets/ (liabilities)		Contractual/notional amounts	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets derivative contracts	12,902	21,162	108,619	325,369
Liabilities derivative contracts	(36,646)	(27,938)	2,404,326	2,241,356

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 risks 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 maximize 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. Such setup aims to identify, assess, control and document the Group's risk profile and to ensure that the business units heed, manage and potentially avoid the emerging risks in various aspects. The Group's prudent approach in managing these risks is briefly outlined below.

(a) Credit risk

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

Credit risk management framework

The Group has maintained a full set of credit risk management policies and procedures, along with credit risk limits to manage and control credit risk that may arise. These policies, procedures and credit risk limits are regularly reviewed and updated.

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, oversees 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 lies in the business units and their respective line managers. Department heads of their own business areas take the lead role with respect to implementing and maintaining appropriate credit risk management. Risk Management, Legal and Compliance Department, independent from the business units, is responsible for the close monitoring and management of credit risks. Its independence is essential to the identifying, measuring, monitoring and controlling of credit risk, ultimately securing of effective checks and balances, while is also instrumental to the drafting, reviewing and updating of credit risk management policies and procedures. Credit risk 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.

For collateralized advances to customers the amount of advances permitted depends on the market value of the collateral, and the structure of its related debts. Any subsequent change in value of the collateral, as well as the structure of its related debts 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 for the selection of brokers/counterparties with sound credit ratings and/or regulatory ratings, controlling of exposure limit, while monitoring of counterparty credit risk.

Investments in debt instruments and unlisted derivative financial instruments also require sound credit ratings for the issuers and the trade counterparties.

The Group has well defined policies in place on the approval of trading, credit and investment limits in order to manage its credit risk exposure and concentration. As of 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.

In compliance with HKFRS 9, the Group implements an ECL model. The general approach is applied to financial assets, including interest receivable (classified within accounts receivable). Accounts receivable (excluding interest receivable) and certain other debtors and deposits are subject to the simplified approach. 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 inception: Stage 1: 12-month ECL, Stage 2: ECL-not credit-impaired and Stage 3: Lifetime ECL-credit-impaired.

When determining whether the probability of default has increased significantly, the Group incorporates both quantitative and qualitative assessment such as number of days past due, the Group's historical experience, and market benchmark. When measuring the expected loss ratio on term loans to customers, the Group would take into account changes in valuation of underlying assets and collateral, changes in funding structure and adopt probability-weighted scenarios. The Group adopts three economic scenarios to meet the requirements of HKFRS 9. The probability assigned for each scenario reflects the Group's view for the economic environment, which follows the Group's prudent and consistent credit policy to ensure the adequacy of impairment allowance. The probabilities assigned are updated in each quarter.

The assessment of ECL is via an inclusive calculation of the financial instrument's probability of default ("PD"), loss given default ("LGD"), exposure at default and the effective interest rate to the reporting date. As at 30 June 2024, ECL of unsecured financial asset is measured based on PD at a range of 0.28% to 100% (31 December 2023: 31.55% to 100%) and LGD at a range of 24% to 97% (31 December 2023: 10% to 88%).

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.

Up till the end of the reporting period, the exposure to maximum credit risk before taking into account any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, 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 sufficient reserves of cash, readily available 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 observance, the Group maintains adequate cash reserves to prepare for immediate capital injection if required. If there is a medium to long-term operational need, management would also consider adjusting those subsidiaries' capital structure. Subsidiaries with external equity stakeholders are generally responsible for their own liquidity management.

(c) Interest rate risk

The Group monitors its interest rate exposure regularly to ensure that the underlying risk is monitored within an acceptable range.

The Group's interest rate positions arise from treasury and operating activities. Interest rate risk arises from treasury management, customer financing and investment portfolios. Interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets and interest-paying liabilities. 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 subject 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 financial instruments with short to medium duration. As such, the fair value or cash flow of the Group should be subject to limited interest rate risk.

(d) Currency risk

The Group's exposure to currency risk primarily stems from holding of assets and liabilities denominated in currencies other than Hong Kong dollar. As most of the Group's assets and liabilities are denominated in Hong Kong dollar, Renminbi, United States dollar and Singapore dollar, management is aware of the potential increase in volatility in these currencies and takes a holistic view in the management of currency risk.

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

(e) Equity price risk

The Group's equity price risk arises 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, the rest are all 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 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 unlisted equity instruments is assessed periodically, based on the information available to the Group.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value hierarchy

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

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

The Group 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.

As at 30 June 2024

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement Assets				
Equity investments designated at fair value through other comprehensive income:				
— Listed equity securities	<u>5,462,542</u>	<u>—</u>	<u>—</u>	<u>5,462,542</u>
Financial assets at fair value through profit or loss:				
— Listed equity securities	1,002,171	—	760,246	1,762,417
— Unlisted equity securities/ collective investment schemes	—	—	21,033,793	21,033,793
— Unlisted preference shares	—	—	5,238,871	5,238,871
— Unlisted debt securities	<u>—</u>	<u>—</u>	<u>451,870</u>	<u>451,870</u>
	<u>1,002,171</u>	<u>—</u>	<u>27,484,780</u>	<u>28,486,951</u>
Trading securities:				
— Listed equity securities	147,832	—	—	147,832
— Listed debt securities	—	2,740,904	—	2,740,904
— Unlisted debt securities	—	96,653	—	96,653
— Listed funds	1,050	—	—	1,050
— Unlisted derivatives	<u>—</u>	<u>12,902</u>	<u>—</u>	<u>12,902</u>
	<u>148,882</u>	<u>2,850,459</u>	<u>—</u>	<u>2,999,341</u>
Liabilities				
Trading securities:				
— Listed equity securities	(261,138)	—	—	(261,138)
— Listed debt securities	(7,432)	—	—	(7,432)
— Unlisted derivatives	<u>—</u>	<u>(36,646)</u>	<u>—</u>	<u>(36,646)</u>
	<u>(268,570)</u>	<u>(36,646)</u>	<u>—</u>	<u>(305,216)</u>

As at 31 December 2023

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement Assets				
Equity investments designated at fair value through other comprehensive income:				
— Listed equity securities	<u>5,032,899</u>	<u>—</u>	<u>—</u>	<u>5,032,899</u>
Financial assets at fair value through profit or loss:				
— Listed equity securities	1,259,263	—	732,484	1,991,747
— Unlisted equity securities/ collective investment schemes	—	—	23,002,403	23,002,403
— Unlisted preference shares	—	—	5,361,456	5,361,456
— Unlisted debt securities	<u>—</u>	<u>—</u>	<u>456,435</u>	<u>456,435</u>
	<u>1,259,263</u>	<u>—</u>	<u>29,552,778</u>	<u>30,812,041</u>
Trading securities:				
— Listed equity securities and funds	87,286	—	—	87,286
— Listed debt securities	—	2,718,090	—	2,718,090
— Unlisted debt securities	—	89,910	—	89,910
— Unlisted derivatives	<u>—</u>	<u>21,162</u>	<u>—</u>	<u>21,162</u>
	<u>87,286</u>	<u>2,829,162</u>	<u>—</u>	<u>2,916,448</u>
Liabilities				
Trading securities:				
— Listed equity securities	(205,141)	—	—	(205,141)
— Listed funds	(4,421)	—	—	(4,421)
— Listed derivatives	(22)	—	—	(22)
— Unlisted derivatives	<u>—</u>	<u>(27,916)</u>	<u>—</u>	<u>(27,916)</u>
	<u>(209,584)</u>	<u>(27,916)</u>	<u>—</u>	<u>(237,500)</u>

As at 30 June 2024, there were no transfers between levels of the fair value hierarchy.

As at 31 December 2023, four of the financial assets at fair value through profit or loss with fair values of HK\$348,668,000 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 markets the fair value measurement of these equity securities were accordingly transferred from Level 3 to Level 1 of the fair value hierarchy. There were no other transfers between levels of the fair value hierarchy.

Valuation techniques and inputs used in Level 2 fair value measurements

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

Information about Level 3 fair value measurements

As at 30 June 2024

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	11% to 30%	5% (5%)	(455,819) 455,819
	Control premium	19.2% to 25%	5% (5%)	27,920 (27,920)
	Market multiples	0.8 to 33.4	5%	369,907
			(5%)	(369,907)
Put option model	Discount for lack of marketability for restricted shares	5.00% to 5.00%	5% (5%)	(2,001) 2,001

As at 31 December 2023

Valuation techniques	Significant unobservable inputs	Range	Increase/ (decrease) in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss HK\$'000
Market comparable companies	Discount for lack of marketability	10% to 30%	5% (5%)	(22,189) 22,189
	Market multiples	0.8 to 30.6	5% (5%)	97,019 (97,019)
Binomial model and equity allocation model	Volatility	24.24% to 105.33%	5% (5%)	(2,268) 1,723
Put option model	Discount for lack of marketability for restricted shares	5.00% to 5.00%	5% (5%)	(1,928) 1,928

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

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

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

	Financial assets at fair value through profit or loss				
	Listed equity securities	Unlisted equity securities/collective investment schemes	Unlisted preference shares	Unlisted debt securities	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2023	318,667	26,693,119	6,250,280	799,778	34,061,844
Purchased	–	292,336	22,070	–	314,406
Net unrealised gain/(loss) recognised in profit or loss	(156,485)	(1,133,025)	(757,476)	(128,450)	(2,175,436)
Exchange adjustments	(12,890)	(273,197)	(63,852)	(4,893)	(354,832)
Disposals	–	(1,644,970)	(89,566)	(210,000)	(1,944,536)
Reclassification	583,192	(931,860)	–	–	(348,668)
	<u>732,484</u>	<u>23,002,403</u>	<u>5,361,456</u>	<u>456,435</u>	<u>29,552,778</u>
As at 31 December 2023 and 1 January 2024					
Purchased	–	63,033	–	–	63,033
Net unrealised gain/(loss) recognised in profit or loss	33,142	(1,313,395)	(703,702)	(2,417)	(1,986,372)
Exchange adjustments	(5,380)	(655,041)	526,585	(2,148)	(135,984)
Disposals	–	(63,207)	54,532	–	(8,675)
	<u>760,246</u>	<u>21,033,793</u>	<u>5,238,871</u>	<u>451,870</u>	<u>27,484,780</u>
As at 30 June 2024					

27. SEGMENT INFORMATION

The Group manages and conducts the majority of its business activities by business units. Operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and performance assessment.

Fund Management Business

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

- **Primary market investment:** investment in unlisted equity securities or equity derivatives with equity position for participating in the ongoing management of these companies, and with an ultimate objective of capital gain on investee's equity listing or through other exit channels. Areas of investments include new economy, artificial intelligence and advanced manufacturing, new energy, medical care and senior healthcare, overseas acquisition and infrastructure, real estate, aircraft industry chain, consumer market, wealth management and others.
- **Secondary market investment:** provides a diversified range of financial services, including asset management, investment management and investment advisory activities. Products include absolute return funds, bond funds and equity funds.
- **Fund of Funds investment or "FoF":** FoF invested in both funds initiated and managed by the Group as well as external funds with proven track records of performance and governance. FoF can provide one-stop solution that offers liquidity and potential returns for mega-size institutions.

Principal Investments Business

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

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

Business segments

For the six months ended 30 June 2024:

	Fund Management Business			Principal Investments Business				Total HK\$'000
	Primary Market Investments	Secondary Market Investments	Fund of Funds Investments	Key Investee Companies	Financial Investments	Cornerstone Investments	Reportable segments total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Income from contract with customers	53,293	15,169	27,955	-	116,710	-	213,127	213,127
Net (loss)/income from investments	(445,661)	137,275	(68,004)	(113,947)	(198,446)	299,232	(389,551)	(389,551)
(Loss)/income from other sources	-	18,473	-	-	(114,057)	-	(95,584)	(95,584)
Total (loss)/income	<u>(392,368)</u>	<u>170,917</u>	<u>(40,049)</u>	<u>(113,947)</u>	<u>(195,793)</u>	<u>299,232</u>	<u>(272,008)</u>	<u>(272,008)</u>
Segment operating results	(572,263)	111,847	(53,772)	(159,882)	(437,770)	299,232	(812,608)	(812,608)
Unallocated head office and corporate expenses*								(865,099)
Share of profits less losses of associates	(76,372)	-	-	25,340	515	228,465	177,948	177,948
Share of profits less losses of joint ventures	<u>(20,286)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16)</u>	<u>-</u>	<u>(20,302)</u>	<u>(20,302)</u>
(Loss)/profit before taxation	(668,921)	111,847	(53,772)	(134,542)	(437,271)	527,697	(654,962)	<u>(1,520,061)</u>
Less: Non-controlling interests	<u>14,958</u>	<u>(42,988)</u>	<u>-</u>	<u>-</u>	<u>28,246</u>	<u>-</u>	<u>216</u>	
Segment results	<u>(653,963)</u>	<u>68,859</u>	<u>(53,772)</u>	<u>(134,542)</u>	<u>(409,025)</u>	<u>527,697</u>	<u>(654,746)</u>	
Other segment information:								
Interest income	109,878	58,173	14,040	28,650	72,332	-	283,073	
Impairment losses recognised in the statement of profit or loss	<u>123,899</u>	<u>-</u>	<u>-</u>	<u>45,935</u>	<u>56,653</u>	<u>-</u>	<u>226,487</u>	

* 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.

For the six months ended 30 June 2023:

	Fund Management Business			Principal Investments Business				Total HK\$'000
	Primary Market Investments	Secondary Market Investments	Fund of Funds Investments	Key Investee Companies	Financial Investments	Cornerstone Investments	Reportable segments total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Income from contract with customers	181,809	18,327	5,957	-	114,606	-	320,699	320,699
Net income/(loss) from investments	749,958	16,833	111,813	130,442	(608,101)	330,656	731,601	731,601
Income from other sources	100	9,860	-	-	11,870	-	21,830	21,830
Total income/(loss)	931,867	45,020	117,770	130,442	(481,625)	330,656	1,074,130	1,074,130
Segment operating results	845,257	(20,377)	104,134	109,238	(717,258)	330,656	651,650	651,650
Unallocated head office and corporate expenses*								(841,066)
Share of profits less losses of associates	(102,034)	-	-	85,727	1,330	466,992	452,015	452,015
Share of profits less losses of joint ventures	13,508	-	(105)	-	-	-	13,403	13,403
Profit/(loss) before taxation	756,731	(20,377)	104,029	194,965	(715,928)	797,648	1,117,068	276,002
Less: Non-controlling interests	(22,291)	(55,954)	-	-	24,727	-	(53,518)	
Segment results	734,440	(76,331)	104,029	194,965	(691,201)	797,648	1,063,550	
Other segment information:								
Interest income	114,312	72,748	21,478	14,812	79,616	-	302,966	
Impairment losses recognised in the statement of profit or loss	3,559	-	-	21,204	42,424	-	67,187	

* 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.

Other information

As at 30 June 2024:

	Fund Management Business			Principal Investment Business			Reportable segments total	Total
	Primary Market	Secondary Market	Fund of Funds	Key Investee Companies	Financial Investments	Cornerstone Investments		
	Investments	Investments	Investments	Companies	Investments	Investments		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	20,230,019	3,490,152	9,499,864	2,496,546	17,498,006	5,762,190	58,976,777	58,976,777
Investments in associates	1,785,577	-	-	2,242,503	483,151	13,349,968	17,861,199	17,861,199
Investments in joint ventures	900,744	-	5,552	-	-	-	906,296	906,296
Unallocated head office and corporate assets								368,794
Total assets								<u>78,113,066</u>
Segment liabilities	2,218,804	1,272,513	4,947,335	-	2,894,362	-	11,333,014	11,333,014
Unallocated head office and corporate liabilities								31,694,361
Provision for taxation								615,076
Deferred tax liabilities								<u>1,593,673</u>
Total liabilities								<u>45,236,124</u>

As at 31 December 2023:

	Fund Management Business			Principal Investments Business			Reportable segments total	Total
	Primary Market	Secondary Market	Fund of Funds	Key Investee Companies	Financial Investments	Cornerstone Investments		
	Investments	Investments	Investments	Companies	Investments	Investments		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	20,334,629	3,589,116	9,945,210	2,530,207	19,138,897	5,032,899	60,570,958	60,570,958
Investments in associates	1,850,277	-	-	2,217,162	482,638	13,159,636	17,709,713	17,709,713
Investments in joint ventures	927,296	-	5,668	-	-	-	932,964	932,964
Unallocated head office and corporate assets								374,287
Total assets								<u>79,587,922</u>
Segment liabilities	2,497,268	1,206,826	5,052,041	-	3,510,386	-	12,266,521	12,266,521
Unallocated head office and corporate liabilities								30,595,730
Provision for taxation								582,592
Deferred tax liabilities								<u>2,037,293</u>
Total liabilities								<u>45,482,136</u>

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 year ended			For the six months ended		
	30 June 2024			30 June 2023		
	Hong Kong & 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	57,103	156,024	213,127	103,419	217,280	320,699
Net income/(loss) from investments	(19,933)	(369,618)	(389,551)	51,169	680,432	731,601
(Loss)/income from other sources	(79,675)	(15,909)	(95,584)	(11,989)	33,819	21,830
	<u>(42,505)</u>	<u>(229,503)</u>	<u>(272,008)</u>	<u>142,599</u>	<u>931,531</u>	<u>1,074,130</u>
	As at			As at		
	30 June 2024			31 December 2023		
	Hong Kong & 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	<u>2,089,347</u>	<u>22,681,280</u>	<u>24,770,627</u>	<u>2,498,392</u>	<u>22,193,071</u>	<u>24,691,463</u>

28. LITIGATION

Reference is made to the announcements of the Company made through The Stock Exchange of Hong Kong Limited dated 2 February 2021, 11 April 2023 and 1 June 2023 (the “Announcements”). As highlighted in the Announcements, the Group is involving in a legal proceeding (the “Litigation”) and the total amount involved in the first-instance judgment was approximately RMB1.173 billion. The Company had filed an appeal within the statutory time limit and the first-instance judgment has not come into legal effect. Besides, 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 operations, financial position and debt-paying ability of the Group. For more details, please refer to the Announcements. The Company will continue to closely monitor the progress of the Litigation and advocate its legitimate rights and interests. The Company will provide further information as and when appropriate in accordance with the applicable listing rules, laws and regulations.

MANAGEMENT DISCUSSION AND ANALYSIS

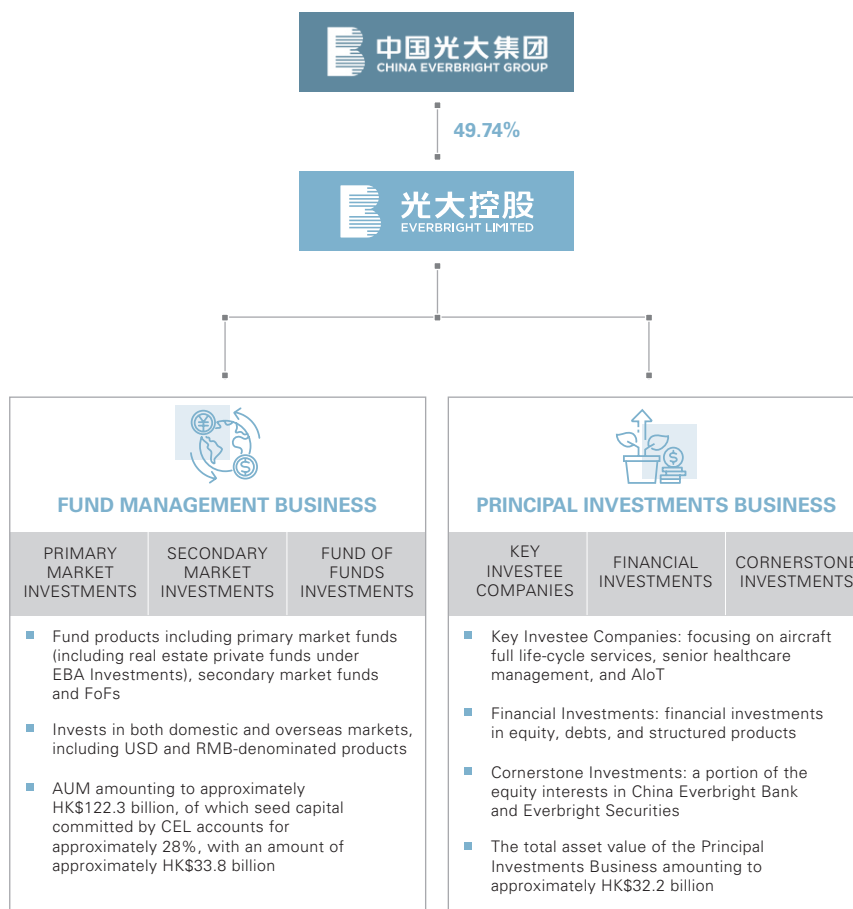
BUSINESS REVIEW

CEL is a leading cross-border asset management and private equity investment company in China, and a listed company in Hong Kong with management and investment of private funds as the core business. With more than 26 years of experience in cross-border asset management and private equity investment, CEL has been assessed as one of the top PE firms in China several times. China Everbright Group Ltd. (“Everbright Group”), the largest shareholder of the Company, indirectly holds 49.74% of the shares of CEL.

For Fund Management Business, as at 30 June 2024, total assets under management (“AUM”)¹ of CEL reached approximately HK\$122.3 billion, with 72 funds. By forming a rich asset management product line covering primary market funds, secondary market funds, FoFs, S funds, etc., CEL has nurtured many promising enterprises with high growth potential alongside with investors. CEL is positioned to serve the new development pattern of “Dual Circulation”, leveraging its equity investment advantages to provide direct financing and contribute to the development of the real economy.

For Principal Investments Business, CEL has nurtured China Aircraft Leasing Group Holdings Limited (“CALC”), the largest independent aircraft operating lessor in China; nurtured China Everbright Senior Healthcare Company Limited (“Everbright Senior Healthcare”), a renowned senior healthcare industrial group in China with consolidating multiple mid-to-high-end senior healthcare enterprises; and invested in Chongqing Terminus Technology Co., Ltd. (“Terminus”) in the artificial intelligence and Internet of Things (“AIoT”) industry. CEL also invests in financial assets to achieve a balanced return and liquidity in its Principal Investments in due course. In addition, the Company 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.

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



REVIEW AND ANALYSIS

Macro-economic and Industry Review

In the first half of 2024, the global economy was more resilient than expected, with declining inflation levels and a steady recovery in trade. Inflation rates in major developed economies have fallen, while growth rates in emerging economies have picked up, with rising trade volumes due to investment growth. Despite the complex and volatile domestic and international environment in the first half of the year, China's macroeconomic performance was generally stable. According to data from the National Bureau of Statistics, China's GDP increased by 5.0% year-on-year in the first half of the year, with GDP growth in the first quarter being 5.3% and GDP growth in the second quarter being 4.7%. Although it has slowed down from the previous quarter, the overall situation is stable and improving. The GDP for the whole year is expected to achieve the 5% growth target. According to data released by the China Foreign Exchange Trading Center, the central parity rate of RMB against the USD depreciated by 3.75% cumulatively in the first half of 2024. The main reasons for the depreciation are the continued strength of the USD index, and the widening of the long-term interest rate differential between China and the United States, which exerts greater passive depreciation pressure on the RMB exchange rate.

Reviewing the performance of major global stock markets in the first half of 2024, the stock markets of the United States, Japan, Germany, India and other countries hit record highs. The Nikkei 225 Index gained 18.28% in half a year, leading the world's major stock indexes. U.S. stocks ranks second, with the Nasdaq rising 18.13% and the S&P 500 rising more than 14%. The overall performance of Chinese market was poor, the SSE index accumulated a decline of 0.25%, the ChiNext index slumped about 11%. The Hang Seng index accumulated an increase of 3.94%, while the Hang Seng Technology Index fell by 5.57%. In the first half of the year, the construction of financial power of China took off. Policies focusing on strengthening supervision of the financial system, preventing risks, and promoting high-quality development were successively introduced to strengthen and maintain the stable operation of the financial market.

After a slump in the past two years, China's private equity market did not stop falling in the first half of this year. The volatility of the financial market, the increasing difficulty in fundraising and the obstacle of the exit channels continued to affect the confidence of market participants. It is expected that the market will continue to be reshaped in the midst of structural adjustments in the future. According to Zero2IPO research data, China's equity investment market continued its downward trend in the first half of the year. In terms of fund-raising, the number of newly raised funds in China's equity investment market dropped by nearly 50% in the first half of the year, with the total fund-raising scale reaching approximately RMB620 billion. By market segmentation, the number of newly-raised funds in the VC market dropped by more than 50% and the size dropped by more than 30%, with early stage funds dominating the list of newly-raised funds. In terms of investment, the market maintains a slowdown, decreasing by more than 30% year-on-year, and the general decline in investment activity showed in various markets. The investment scale of VC market dropped more. State-owned institutions contributed to the market of about 57% of the capital. In terms of exits, a total of 746 exits occurred in China's equity investment market in the first half of the year, representing a year-on-year decrease of 64%. The number of IPOs of invested companies continued to shrink, and the number of other types of exit transactions also decreased. In particular, the number of mergers and acquisitions transactions fell by 40% year-on-year, and buybacks and share-for-share transactions fell by 70% year-on-year. The exit activities dropped significantly in various market.

Review of Business Highlights in the First Half of 2024

In the first half of 2024, the domestic economic performance was generally stable but uncertainties increased. Coupled with the endogenous changes in the private equity industry, CEL faces the dual difficulties of fundraising and exit, and the overall operating performance has been greatly impacted. As a result of the ongoing adjustment in the capital markets, the listed but un-exited projects held by CEL incurred relatively large unrealised losses in the first half of the year, which also led to a drop in the valuation of unlisted private equity projects that were valued with reference to their listed counterparts, resulting in unsatisfactory investment performance during the reporting period, which in turn dragged down the overall results.

In spite of the unfavorable market environment, CEL has overcome the difficulties and made timely responses by focusing on its core responsibilities and businesses, enhancing the quality and efficiency of its services, striving to promote its strategic transformation. In terms of business development, CEL gives full play to the advantages of equity investment and serve new quality productivity. Everbright Belt & Road Green Fund has entered into a partnership with Yizhuang Automobile Fund (亦莊汽車基金) to jointly support upstream and downstream projects in the smart grid automobile industry chain in Beijing and Beijing Economic-Development Area (經開區), so as to promote the development of smart grid automobile-related industries in Beijing. Secondly, CEL has further strengthened post-investment management. During the reporting period, CEL successfully cooperated with a number of projects to complete subsequent rounds of financing, and assisted portfolio companies in submitting their listing applications. In particular, Longcheer Technology, an ODM of smart products, and Arbe, a 4D imaging radar solution provider, have successfully been listed. The former was successfully listed on the Sci-Tech Innovation Board, and the latter achieved dual listing in Tel Aviv while already listed on Nasdaq. Thirdly, CEL accelerates the exit of existing projects. During the reporting period, a cumulative total of HK\$1,810 million was received by funds through project exit or dividend payout, representing an overall realized gain of approximately HK\$979 million against cost, and recorded a multiple on invested capital of 2.18x. In terms of strategic transformation, CEL serves the high-quality development of finance in accordance with national strategies and relevant financial development policies. Focusing on the “Five Major Articles” (“五篇大文章”) and the “New Quality Productivity Forces” (“新質生產力”) of finance, CEL clarifies strategic transformation ideas and continues to promote strategic optimization. Efforts are made to promote the implementation of funds in key areas, mobilize potential social “patient capital”, and support the development of new productive forces. At the same time, based in Hong Kong, CEL participates in promoting the construction of Hong Kong’s venture capital ecosystem, linking exchange opportunities between mainland, Hong Kong and overseas technology industries, and injecting new impetus into CEL’s cross-border asset management business.

During the reporting period, CEL focused on its core responsibilities and businesses, enhanced management in all aspects of fundraising, investment, management and exit, strengthened internal control, continued to improve risk prevention capabilities, maintained its focus on strategic transformation, and made progress in the following aspects:

Core businesses

Promoting fundraising steadily: CEL actively carries out fund raising, increase the depth of cooperation with local governments, listed companies, family offices and other LPs, and strive to promote the implementation of funds in key areas.

Seizing investment opportunities prudently: During the reporting period, Everbright Belt & Road Green Fund has entered into a partnership with Yizhuang Automobile Fund to jointly support upstream and downstream projects in the smart grid automobile industry chain in Beijing and the Beijing Economic-Development Area, so as to promote the development of smart grid automobile-related industries in Beijing.

Enhancing the management of post-investment projects: Strengthen the support for strategic planning and capital market development planning of invested companies. CEL supported a number of companies in completing subsequent rounds of financing and submitting listing applications. In particular, Longcheer Technology, an ODM of smart products, and Arbe, a 4D imaging radar solution provider, have successfully been listed and dual listing respectively.

Achieving a notable gain from exits: During the reporting period, funds managed by CEL has exited HK\$1.81 billion through project exits and dividend payment. After exiting key projects including Jingdong Logistics, brought an overall gain of approximately HK\$979 million to funds compared with costs, and the multiple on invested capital (MOIC) was approximately 2.18 times.

Project reserves

Promoting the development of science and technology innovation in Hong Kong: CEL has reached an agreement with renowned professors from a number of universities in Hong Kong to jointly apply for the RAISE+ Scheme launched by the Hong Kong Government to facilitate the commercialization of technological innovations of the universities in Hong Kong. Linking mainland, Hong Kong and overseas technology industry exchange opportunities, as a co-organizer, CEL supported the first international innovation and entrepreneurship competition of the Chinese University of Hong Kong, Shenzhen.

Empowering the integration of industry and finance: Focusing on the potential of industry-financing synergies, CEL has empowered the high-quality development of key invested enterprises, and assisted China Aircraft Leasing in realizing the overseas launch of the domestic ARJ21 aircraft, which is the first cross-border RMB settlement project in China regarding domestic aircraft.

Serving the development of key regions: Focusing on the development of key regions, CEL has strengthened the layout of key industries, and continued to promote the development of Beijing-Tianjin-Hebei, Yangtze River Delta, and Guangdong-Hong Kong-Macao Greater Bay Area, so as to create an engine of high-quality development.

Operational capability

Maintaining the financing capacity: During the reporting period, two tranches of RMB8.5 billion Panda Bonds were successfully issued, which were enthusiastically subscribed by banks and non-banking institutional investors, replacing existing loans, optimizing the debt maturity and currency structure, and lowering the cost of financing.

Improving to a robust management framework: CEL has strengthened and improved the institutional framework for multiple risk prevention, control and corporate governance, and further strengthened valuation management. CEL has strengthened the regulation and management of investment business and key business areas to enhance professionalism and compliance.

Environment, Society and Governance (ESG) **Fulfilling social responsibilities:** CEL actively promoted the branding of CEL’s distinctive social responsibility projects, actively supported the HKSAR Government’s “Strive and Rise” program, participated in the “New Graduates-New Opportunities Scheme” program of the China Enterprises Association, cared for grassroots youth and the elderly in Hong Kong, and continued to promote the revitalization of villages and consumer assistance. CEL also continues to promote the revitalization of villages and consumer assistance, fulfilling social responsibilities to a high standard.

Improving the ESG management system continuously: CEL continued to optimize its ESG management system in the areas of adjusting management structure, practicing green and low-carbon concepts, optimizing internal management, and fulfilling the social responsibility of central enterprises in Hong Kong, and its MSCI ESG rating was maintained at “BBB” in the first half of the year.

In the first half of 2024, the Company’s issuance of Panda Bonds is as follows:

Bond abbreviation	Date of issuance	Size of issuance	Use of raised funds
24 Everbright Limited MTN002	May 2024	RMB4.5 billion	Repayment of domestic maturing medium-term notes and corporate bonds, net of underwriting fees.
24 Everbright Limited MTN001	March 2024	RMB4.0 billion	Repayment of foreign bank loans and domestic medium-term notes, net of underwriting fees.

FINANCIAL PERFORMANCE ANALYSIS

Income

Key income items <i>(in HK\$ hundred million)</i>	2024 1H	2023 1H	Change
Income from contracts with customers, mainly including:			
— Management fee income	2.13	3.21	(34%)
— Performance fee and consultancy fee income	0.81	0.98	(17%)
	0.17	1.10	(85%)
Net (loss)/income from investments, mainly including:			
— Interest income	(3.90)	7.32	N/A
— Dividend income	2.83	3.03	(7%)
— Realised loss on investments	5.44	7.22	(25%)
— Unrealised loss on investments	(0.04)	(0.69)	(94%)
	(12.13)	(2.24)	>100%
(Loss)/income from other sources	(0.95)	0.22	N/A
Share of profits less losses of associates	1.78	4.52	(61%)
Share of profits less losses of joint ventures	(0.20)	0.13	N/A
	<u>(1.14)</u>	<u>15.40</u>	<u>N/A</u>
Total amount of income	<u>(1.14)</u>	<u>15.40</u>	<u>N/A</u>

During the reporting period, total amount of income of the Group was at a loss of HK\$114 million, decreased by HK\$1,654 million as compared to an income of HK\$1,540 million for the same period last year. Its proceeds from investments was put under pressure by the downturn in equity investment market with further deterioration in unrealised loss on investments. As a result, the net gain from investment had slumped by HK\$1,122 million into a loss in the same period this year. On income from contracts with customers, it decreased by HK\$108 million compared with the same period last year, mainly due to the underperformance of performance fee and consultancy fee income.

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

- (1) In the first half of 2024, the Group's income from contracts with customers was HK\$213 million, representing a decrease of HK\$108 million from the same period last year. Specifically, management fee income was HK\$81 million, slightly decreased from that of the same period last year. This was mainly attributable to the overall asset size under management, while remained intact, had diminished, translating into a fall in management fee income. On the other hand, performance fee and consultancy fee income were HK\$17 million, decreased by HK\$93 million comparing to the same period last year, which was primarily due to the lower level of projects' exit activities comparing to the same period last year.
- (2) The Group's loss from investments was HK\$390 million, representing a decrease of HK\$1,122 million when compared to a gain from investments of HK\$732 million for the same period last year. Specifically, dividend income was HK\$544 million, which decreased by HK\$178 million from the same period last year. Such decrease was mainly attributable to a fall in dividend income generated from Cornerstone Investments and primary market operations. Realised loss on investments was HK\$4 million. The extent of loss reduced by HK\$65 million when compared to the HK\$69 million loss for the same period last year.

Unrealised loss on investments was HK\$1,213 million, increased by HK\$989 million comparing to the loss of HK\$224 million for the same period last year. The loss was mainly due to the followings: In Principal Investments Business, there was a decline in valuation of Key Investee Companies, causing an unrealised loss of HK\$143 million (as of the end of 2023, carrying value of Key Investee Companies was HK\$2,162 million), plummeted HK\$259 million from a valuation gain of HK\$116 million for the same period last year. Unrealised loss from Financial Investments was HK\$328 million, reduced by HK\$458 million from a loss of HK\$786 million for the same period last year. This was mainly attributable to a reversal of downward valuation for some Financial Investments amidst a mild market rebound (as of the end of 2023, carrying value of Financial Investments was HK\$6,313 million). In Fund Management Business, unrealised loss on primary market investments was HK\$727 million, which was mainly attributable to decrease in market value or valuation of certain projects invested (as at the end of 2023, the carrying value of primary market investments was HK\$15.083 billion); the secondary market investments recorded an unrealised gain of approximately HK\$79 million as affected by a reversal in market price (as at the end of 2023, the carrying value of secondary market investments was HK\$2,859 million); and the unrealised loss on FoFs investments was HK\$94 million (as at the end of 2023, the carrying value of FoFs investments was HK\$7,074 million).

- (3) During the reporting period, the Group's share of profits less losses of associates was HK\$178 million, representing a decrease of HK\$274 million when compared with the same period last year. The profit attributable to Everbright Securities decreased by HK\$239 million when compared with the same period last year, while the profit attributable to CALC also decreased by HK\$69 million when compared with the same period last year.

Income from Key Business Segments

Income from Key Business Segments

(HK\$ hundred million)

	2024 1H	2023 1H
— (Loss)/income from Fund Management Business	(3.58)	10.06
— Income from Principal Investments Business	<u>2.44</u>	<u>5.34</u>
Total amount of income	<u>(1.14)</u>	<u>15.40</u>

By business segment, the loss from Fund Management Business of the Group during the reporting period was HK\$358 million, whereas a gain of HK\$1,006 million was recorded for the same period last year. This was primary due to the effect of downward valuation on the Fund Management Business, which led to a worsening in unrealised gain/loss position, from an unrealised gain of HK\$446 million for the same period last year slumping into an unrealised loss of HK\$742 million, slashing by HK\$1,188 million. The income from Principal Investments Business was HK\$244 million (an income of HK\$534 million for the same period last year), where the unrealised loss decreased substantially to HK\$471 million from HK\$670 million last year. This was mainly as a result of the narrowing of valuation fluctuations in the market value of principal investment projects during the reporting period. In addition, the share of dividend income from investment projects and profit of Everbright Securities in the reporting period was HK\$630 million in aggregate, representing a decrease of HK\$276 million as compared with the same period last year.

Profit

Profit in Key Business Segments

<i>(in HK\$ hundred million)</i>	2024 1H	2023 1H	Change
(Loss)/profit from Fund Management Business	(6.39)	7.62	N/A
(Loss)/profit from Principal Investments			
Business:	(0.17)	3.02	N/A
— Key investee companies	(1.35)	1.95	N/A
— Financial investments	(4.09)	(6.91)	(41%)
— Cornerstone investments	5.27	7.98	(34%)
Less: Unallocated corporate expenses, taxes and profit attributable to holders of senior perpetual capital securities	(6.26)	(7.51)	(17%)
(Loss)/profit attributable to shareholders of the Company	<u>(12.82)</u>	<u>3.13</u>	<u>N/A</u>

During the reporting period, the loss attributable to shareholders of the Company was HK\$1,282 million, whereas profit of HK\$313 million was recorded last year. The main reasons for the loss were:

- (1) Loss from Fund Management Business was HK\$639 million, whereas profit of HK\$762 million was recorded in the same period last year, mainly because the unrealised gain/loss position of those investment projects (held by the funds to which the Group had invested in by way of seed capital) deteriorated from an unrealised gain of HK\$446 million in the same period last year to an unrealised loss of HK\$742 million.
- (2) Loss from Principal Investments Business was HK\$17 million, decreased by HK\$319 million as compared with the same period last year. It was mainly due to unsatisfactory performance from principal investment projects, decrease in valuation of major investment enterprises, and a dip in profit contribution from Cornerstone Investments.

Dividends

Per share (HK\$)

	2024 1H	2023 1H	Change
(Loss)/Earnings per share	(0.76)	0.19	N/A
Interim dividend per share	0.05	0.15	(67%)

Loss after tax attributable to shareholders of the Company for the period was HK\$1,282 million, mainly attributable to the unrealized investment loss which has rather limited impact on cash flows. The Company still received positive net cash inflow during the reporting period, with net cash inflow from operating activities amounting to HK\$606 million and net cash inflow from investing activities amounting to HK\$56 million. In the reporting period, the Company remained sufficient in liquidity and solid in overall financial, business and operating conditions. Following the practice of sharing the Company's operating results with shareholders, the Board declared interim dividend of HK\$0.05 per share for 2024 (2023 interim dividend: HK\$0.15 per share).

Key Financial Ratios

Key Financial Data ²	30 June	31 December	Change
	2024	2023	
Gearing ratio ³	100.2%	95.0%	5.2%
Net gearing ratio ⁴	91.5%	86.4%	5.1%
Debt-to-asset ratio ⁵	57.9%	57.1%	0.8%
Current ratio ⁶	134.6%	109.5%	25.1%

The Group executed refined cost control to boost operating efficiency through technological and electronic methods. Operating costs⁷ for the first half of 2024 amounted to HK\$409 million, representing a year-on-year decrease of 6.8%.

2. 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

3. The gearing ratio is calculated as interest-bearing debt (including bank loans + bonds payable)/total equity x 100%

4. Net gearing ratio is calculated as (interest-bearing debt minus available cash)/total equity x 100%

5. Debt-to-asset ratio is calculated as (total liabilities/total assets) x 100%

6. The current ratio is calculated as current assets/current liabilities x 100%

7. Operating costs include staff costs, depreciation and amortisation expenses and other operating expenses

As at the end of June 2024, the gearing ratio of the Group was 100.2%, representing an increase of 5.2 ppt compared to the end of 2023. This was mainly attributable to the passive increase in the gearing ratio as a result of the decline in total equity arising from losses in the reporting period. As at the end of reporting period, balance of the available cash of the Group decreased. If netting off the available cash of HK\$2,877 million (HK\$2,927 million of available cash as at the end of 2023), net gearing ratio increased by 5.1ppt to 91.5% as compared with the end of 2023. As at the end of the reporting period, the Group's total equity decreased to HK\$32.9 billion from HK\$34.1 billion as at the end of last year, leading to an increase in the gearing ratio passively. Total interest-bearing liability at the end of June 2024 was HK\$33.0 billion, representing an increase compared with HK\$32.4 billion at the end of last year, which was mainly due to the successful and early issuance of two tranches of panda medium term notes in an aggregate amount of RMB8.5 billion and reservation of funds for repayment of debts as they fall due, resulting in overlapping of liabilities. Nevertheless, the Group realized a debt reduction of approximately HK\$1.0 billion in substance for the first half of the year after eliminating the impact of such overlapping.

As at the end of June 2024, the Group had cash and cash equivalents of approximately HK\$9.7 billion and unutilised available bank facilities of approximately HK\$10.8 billion, representing sufficient liquidity and a solid financial condition.

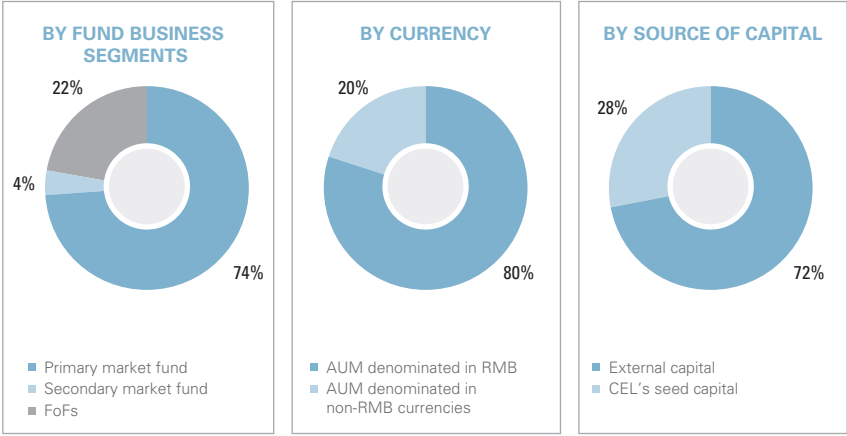
BUSINESS PERFORMANCE

Fund Management Business

The total AUM of CEL's funds reached approximately HK\$122.3 billion as at 30 June 2024, representing a decrease of approximately HK\$3.9 billion compared to the end of last year. The decrease in AUM was mainly attributable to, firstly, the withdrawal of certain funds due to maturity; secondly, the AUM of secondary market funds decreased due to the impact of redemptions and the decrease in net asset value; and thirdly, the decline in the exchange rate of RMB against HKD, resulting in a decrease in AUM in Hong Kong dollar terms.

The source of funding of CEL's funds is extensive, where external investors are primarily institutional investors, with a diversified institution 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\$98 billion and HK\$24.3 billion, accounting for 80% and 20% of the total amount, respectively. In terms of the nature of funds, the Company's Fund Management Business included 42 primary market funds, 21 secondary market funds and discretionary accounts, and 9 FoFs products.

During the reporting period, CEL tailored to the circumstances to make prudent investment decisions, and to exit from prevailing projects. The Fund Management Business made capital contributions of approximately HK\$79 million to a total of 5 projects, and exited, fully or partially, from 36 projects, recording a cash inflow of approximately HK\$1.712 billion.



Primary Market Funds

As at 30 June 2024, 42 primary market fund products were under the management of CEL, with an aggregate AUM equivalent to approximately HK\$90.1 billion, investing in various industries including semiconductors, industrial internet and high-end manufacturing. CEL also actively explored potential opportunities in artificial intelligence, new energy and other sectors. By currency, amounts equivalent to approximately HK\$71.0 billion and approximately HK\$19.1 billion were denominated in RMB and other currencies, accounting for 79% and 21% of the total amount, respectively. During the reporting period, CEL combined disposal of shares of listed companies, transfer and other diversified exit channels, exiting projects including JD Logistics to generate favorable proceeds on investment and cash inflow for the Company.

Leveraging the diversified fund structure and leading full value chain capabilities, CEL’s primary market fund maintained a cross-border portfolio from the “Perspective of China”, and invested in new industries and fields with relative low risk and high efficiency by focusing on “Five Major Articles” and “New Quality Productivity Forces” in finance industry.

Secondary Market Funds

As at 30 June 2024, CEL's secondary market business managed a total of 21 funds and discretionary accounts with AUM in terms of net worth of approximately HK\$5.5 billion.

By leveraging on its investment capabilities, CEL's secondary market funds have built a one-stop portfolio with years of cross-border experience, which covers Asian credit bond hedge funds, Asian convertible bond hedge fund, offshore Greater China equity hedge fund, onshore A+H shares long-only strategies funds (including private fund managers and institutional investors) and investment advisory business. CEL has well diversified fixed income products covering offshore funds, QFII managed accounts, offshore managed accounts and asset securitization products. Everbright Convertible Opportunities Fund, a flagship Asian convertible bond product, delivered sound results during the reporting period. The fund received the "Best Asian Ex-Japan Fixed-Income Hedge Fund (10-year)", "Best Asian Ex-Japan Fixed-Income Hedge Fund (5-year)", "Best Asian Ex-Japan Fixed-Income Hedge Fund (3-year)", "Best Asian Ex-Japan Multi-Strategy Hedge Fund (10-year)" and "Best Asian Ex-Japan Multi-Strategy Hedge Fund (5-year)" awards by the 2024 I&M Professional Investment Award, demonstrating the recognition of the team's investment capability and comprehensive strength by independent ranking agencies. Everbright Income Focus Fund, a public bond fund in Hong Kong being an investment advisor, which was awarded a five-star rating (the highest rating) by an authoritative fund rating agency, for overall rating and in five-year rating, for its superior performance and risk-adjusted returns.

Fund of Funds

CEL's FoFs not only invested in external funds with proven track records and robust governance, but also invested in funds launched and managed by the Company, and co-invested or directly invested in equity projects. As at 30 June 2024, the FoFs team managed 9 FoFs with an AUM equivalent to approximately HK\$26.7 billion. The Company's FoFs business has established an investment matrix primarily targeting information technology, biopharmaceuticals, consumption and entertainment, and technology manufacturing, with active collaborations with well-established major (white horse) managers, emerging and promising (dark horse) managers, and leading managers in specialized sectors both domestically and internationally. As at 30 June 2024, there were 95 invested projects (sub-funds and direct investment projects) under the FoFs, and a total of 158 investees in the underlying projects of invested sub-funds and direct investment projects under the FoFs were listed. During the reporting period, 5 new enterprises were listed, all of which came from the underlying projects of sub-funds. CEL's FoFs team also promoted the listing declaration and exit of direct investment projects, dedicating to bring excellent returns to investors.

CEL's FoFs won industry recognition and various awards, further enhancing its brand and influence in the industry. During the reporting period, with their outstanding performance, the Company's FoFs were awarded the "2024 New Quality Productive Financial Institutions TOP20" by FoF Research Centre and the "2023-2024 Best Market-Oriented Chinese FoFs TOP20" by Chinese Venture.

Real Estate Investment and Asset Management Business

As at 30 June 2024, 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 55 projects through the platform under EBA Investments, including 21 investment management projects with a managed fund scale of approximately RMB24.443 billion (equivalent to approximately HK\$26.882 billion) and AUM of approximately RMB46.783 billion (equivalent to approximately HK\$51.451 billion). During the reporting period, Everbright Jiabao/EBA Investments took the opportunity of building a new development model for the real estate industry to accelerate the creation of a leading real estate asset management platform in China while continuing to optimise the operating condition of projects under management, endeavouring to boost the operating and management standards of projects. As at the end of the reporting period, EBA Investments and its subsidiaries managed a total of 20 consumption infrastructure projects of IMIX Parks in mainland China through fund investment or entrusted management, primarily located in consumption center cities in various municipalities and provinces in China. In addition, EBA Investments continued to expand the business of real estate construction and management projects under the brand of "安石建管", and expanded and reserved a number of projects during the reporting period. During the reporting period, EBA Investments was ranked first in the "Excellent Enterprises in terms of Comprehensive Strength among China Real Estate Funds" jointly published by the China Enterprise Evaluation Association, Property Research Institute of Tsinghua University and Beijing China Index Academy for the tenth consecutive years.

Principal Investments Business

CEL 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; capitalizing on the co-investment opportunities brought by the Fund Management Business and participating in equity and related financial investments to obtain investment returns; (3) Cornerstone Investments: holding a portion of the equity interest in China Everbright Bank and Everbright Securities to obtain stable dividends and investment returns.

As at the end of June 2024, the Principal Investments Business managed 61 post-investment projects with an aggregate carrying amount of approximately HK\$32.2 billion. Among these projects, the total carrying amount of equity interest held in CALC, Everbright Senior Healthcare and Terminus was approximately HK\$4.7 billion; the fair value of Financial Investments was approximately HK\$8.7 billion; the fair value of the Cornerstone Investments in China Everbright Bank was approximately HK\$5.5 billion, and the carrying amount of Everbright Securities accounted as an associate was approximately HK\$13.3 billion.

Principal investments <i>(in HK\$ hundred million)</i>	30 June 2024	31 December 2023
— Key Investee Companies	47	47
— Financial Investments	87	92
— Cornerstone Investments	188	182
Total	322	321

Key Investee Companies

CALC

As at 30 June 2024, CEL held 38.08% of the equity interest in CALC (stock code: 1848.HK), as its largest shareholder. CALC is a one-stop full life-cycle solutions provider for global airlines. CALC's scope of business includes regular operations such as aircraft operating leasing, leaseback after purchase, aircraft asset package transactions and asset management, and value-added services such as fleet upgrading, aircraft maintenance, 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 2024, CALC had a fleet of 199 aircraft with an increase of 5 aircraft from the end of 2023, consisting of 172 owned aircraft and 27 managed aircraft. CALC's owned and managed aircraft are leased to 42 airlines in 22 countries and regions.

Everbright Senior Healthcare

Everbright Senior Healthcare has been seizing the development opportunities in China's healthcare industry. Building on the core business of institutionalised elderly care, it has expanded into CCRC, nursing homes, rehabilitation hospitals, home elderly care and other highly related businesses. Targeting elderly customers of advanced age who have care needs, and focusing on seniors' rigid demands on rehabilitation, it provides a portfolio of elderly care services comprise of medical and nursing care, which serve as its core products, and supplemented by other services such as elderly catering, mental care and entertainment. With its strong presence and competitiveness in the senior healthcare segment, it is one of the most influential healthcare service providers in China. As at 30 June 2024, Everbright Senior Healthcare has 183 institutions of various types which include institutional and community service centers, forming a deployment covering the Beijing-Tianjin-Hebei region, Yangtze River Delta, and Chengdu-Chongqing Economic Circle. Riding on its professional senior healthcare services, stringent quality control, convenient services, and diversified senior healthcare experiences, Everbright Senior Healthcare has garnered a good brand reputation in the market, which has earned it high recognitions from its customers, peers and the government, and a regular spot among the top industry players.

Terminus

During the reporting period, Terminus actively explored the commercialisation of its large models and continued to enhance its scientific research capabilities to strengthen its overall competitiveness. Terminus was deeply involved in the green, digital and intelligent upgrading of Taohuatan Station on the South Extension of Hefei Metro Line 4 and the Chang'anji Railway Station. The energy-saving and intelligent control system driven by large model, together with a series of precision equipment such as intelligent sensors and people counters, has enhanced the stations' efficiency on intelligent management, which will help them save energy and reduce emissions to achieve green operation. At the same time, Terminus has collaborated with Chongqing Institute of Green and Intelligent Technology under the Chinese Academy of Sciences to build the first "Key Laboratory of Edge Intelligence Computing (Chongqing)" in Chongqing Hi-Tech Industrial Development Zone, where the two sides will carry out a full range of scientific research cooperation in the fields of edge intelligence and computation services, "dual carbon" technology breakthroughs, and IoT urban security governance. Terminus Chongqing AI CITY will serve as the experimental site to explore the implementation and application of big model technology on edge computing. Terminus was awarded the "2024 APEC Award for Science, Technology and Innovation (APSTI)" by the Asia-Pacific Economic Cooperation (APEC), and the "2023 Benchmarking Enterprise of Digital Economy in Beijing" by Beijing Municipality.

Financial Investments

The Company's Financial Investments funded by its own capital cover the following aspects: (1) based on the investment/co-investment opportunities brought by the Company's funds and extensive business network, investing in the equity or debt of unlisted companies; (2) investing in structured financing products with a balance in return and liquidity. As at 30 June 2024, the Company's financial investments amounted to HK\$8.7 billion in various sectors including real estate, new economy and technology, artificial intelligence and advanced manufacturing, and green investments, with the aggregate carrying value of the top 10 projects amounting to HK\$6.1 billion.

Cornerstone Investments

As at 30 June 2024, the carrying amount of a certain portion of equity interests in Everbright Securities and China Everbright Bank held by the Group as Cornerstone Investments each accounted for more than 5% of the Group's total assets and the two investments were regarded as significant investments of the Group. These two Cornerstone Investments held by the Group accounted for in aggregate 57.2% and 24.1% of the Group's net assets and total assets, respectively.

Everbright Securities (601788.SH)

Established in 1996 with its headquarters in Shanghai, Everbright Securities is one of the first 3 innovative pilot securities firms approved by the China Securities Regulatory Commission. As at the end of June 2024, the Group held 956 million A-shares in Everbright Securities, representing 20.73% of its total share capital, with an investment cost of HK\$1,497 million. Everbright Securities is accounted for as an associate of the Group. The carrying value of the shares held by the Group was HK\$13.3 billion, accounting for 40.6% and 17.1% of the Group's net assets and total assets respectively. Based on the closing price of RMB14.62 per share as at 30 June 2024, the fair value of the shares in Everbright Securities held by the Group was HK\$15.3 billion. During the reporting period, the Group's share of profit from Everbright Securities as an investment in associate was HK\$228 million, representing a year-on-year decrease of 51%.

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 the end of June 2024, the Group held 1.57 billion A-shares in China Everbright Bank, representing 2.66% 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 RMB3.17 per share as at 30 June 2024, 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 16.6% and 7.0% of the Group's net assets and total assets respectively. During the reporting period, the Group's income from China Everbright Bank was HK\$299 million, representing a year-on-year decrease of 10%.

OUTLOOK

The World Bank has stated that global economic growth is expected to stabilise, for the first time in three years, at 2.6% in 2024 in its latest Global Economic Prospects report. Looking ahead to the second half of 2024, China's economy is expected to continue to recover moderately as global trade picks up, interest rate cuts in the US dollar take hold, and macro-economic regulation catches up.

Recently, the IMF upgraded its projection on China's economic growth for this year to 5%, 0.4 percentage points higher than the forecast in April, and the World Bank, Goldman Sachs, UBS and other international authorities also upgraded their projections on China's economic growth for this year, showing their recognition of China's macroeconomic resilience and development potential. In light of the increasing prospects that Fed will cut interest rate in the second half of 2024, it is anticipated that the RMB/USD exchange rate will remain to fluctuate bilaterally, and hopefully it will rebound amidst volatility. Regarding industry, the General Office of the State Council published "Several Policies and Measures to Promote the High-Quality Development of Venture Capital" in June, which made clear the goal of increasing investment in science and technology innovation and the determination to provide support for high-level scientific and technological development, and urge to cultivate and expand patient capital with long-term, stable and strategic nature as a cornerstone, and to empower the new quality productive forces through forward-looking industrial planning. It is expected that supportive policies will be put into place successively.

In view of this, CEL will strengthen research work in the second half of 2024 in the areas of the "Five Major Articles" and financial support for "New Quality Productive Forces". With an emphasis on supporting the development of New Quality Productive Forces, and focusing on technological finance, green finance and other aspects in the "Five Major Articles", CEL will optimise business layout, deepen foothold in cross-border asset management, serve the new development pattern of "dual circulation", and continue to enhance its core competitiveness in private equity fund management.

In terms of fund-raising, CEL will formulate targeted strategies to enhance the quality of fund-raising by focusing on key industries and regions. CEL will increase fund-raising efforts, explore the cooperation with long-term funds such as insurance funds, and mobilise potential partner organisations to act as “patient capital”. Meanwhile, CEL will actively participate in the public selection of government funds, fully utilising of the cross-border capital management platform, enabling both international and domestic investors seize high-quality growth opportunities in China. **In terms of investment, CEL will focus on New Quality Productivity, strengthen market research and focus on long-term value.** In order to adhere to the main direction of investment in “New Quality Productivity”, CEL will strengthen its research work on the “Five Major Articles” and provide financial support for New Quality Productivity, placing emphasis on hard technology, low-altitude economy, new energy and other industries, while focusing on the growth logic of enterprises’ core value. With a view to exploring and cultivating enterprises with long-term growth potential, CEL will also enhance its research on market trends and expand its project resource pool. **In terms of management, CEL will strengthen post-investment management to facilitate the high-quality development of investee enterprises.** As the regulation of the private placement industry continues to strengthen, CEL will also enhance its compliance management, including improving its internal control and increasing the transparency of information disclosure, focusing on and empowering the business development of investee companies by providing them with comprehensive financial services to assist their high-quality development. **In terms of exit, CEL will continue to optimise exit strategies and accelerate precision exits.** According to the market condition and asset characteristics, CEL will continue to intensify the exit of investment projects in stock to realise capital recovery, pay attention to the implementation of particular measures for resolving difficulties in investment exits as specified in “Several Policies and Measures for Promoting the High-Quality Development of Venture Capital”, and look for diversified exit methods.

With challenge comes opportunity. Despite a complicated market environment, CEL is firmly confident in China’s economy and the private equity market, as well as highly optimistic about the Company’s strategic transformation results. Looking forward, CEL will, on top of a persistent focus on its core business of private equity investment management, actively explore the inherent and potential expansion of asset management business. By focusing on the New Quality Productive Forces such as “Three News and One High” (三新一高), CEL will make full use of the opportunities arising from industrial policy adjustment to promote business restructuring and upgrading, with a view to fostering the high-quality development in cross-border asset management and creating sustained value for shareholders.

FINANCIAL POSITION

As at 30 June 2024, the Group's total assets amounted to HK\$78.113 billion (31 December 2023: HK\$79.588 billion) with net assets amounting to HK\$32.877 billion (31 December 2023: HK\$34.106 billion). Equity attributable to the Company's shareholders was HK\$29.823 billion (31 December 2023: HK\$30.990 billion) and equity attributable to shareholders of the Company per share was HK\$17.70 (31 December 2023: HK\$18.39).

FINANCIAL RESOURCES

The Group adopts a prudent approach in liquidity management to ensure liquidity risk control and reduce the cost of funds. The Group finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 30 June 2024, the Group had cash and bank balances of HK\$9.735 billion (31 December 2023: HK\$9.588 billion). Currently, most of the Group's cash is denominated in Hong Kong dollars and Renminbi.

BORROWING

As at 30 June 2024, the Group's interest-bearing borrowings amounted to HK\$32.959 billion (31 December 2023: HK\$32.397 billion). The Group will review and ensure sufficient banking facilities to reserve resources to support its business development. As at 30 June 2024, the Group had banking facilities of HK\$25.106 billion (31 December 2023: HK\$32.694 billion), of which HK\$10.773 billion (31 December 2023: HK\$14.091 billion) had not been utilised. The banking facilities were of one to eleven years terms. The Group had an outstanding bank loan of HK\$14.333 billion (31 December 2023: HK\$18.604 billion), which decreased by HK\$4.271 billion compared with 31 December 2023, of which HK\$12.721 billion (31 December 2023: HK\$16.442 billion) was unsecured. The Group had issued corporate bonds with an outstanding principal amount of HK\$18.626 billion (31 December 2023: HK\$13.793 billion). The interest bearing borrowings were denominated in Renminbi, Hong Kong dollars and United States dollars, representing 64%, 35%, 1% of the total respectively. As at 30 June 2024, approximately 39% of the Group's total principal amount of borrowing were at floating rates and the remaining 61% were at fixed rates. The maturity profile of the Group's borrowings is set out in note 22 of the Notes to the Financial Statements in this announcement.

PLEDGE OF ASSETS

As at 30 June 2024, no restricted deposits were pledged to a bank to secure a banking facility granted to the Group (31 December 2023: Nil). Restricted bank balances of HK\$64 million (31 December 2023: HK\$57 million) were pledged to the banks for sales of mortgaged properties to customers and interest reserve account on borrowings. Investment properties, property, plant and equipment, inventories and stocks with carrying values of HK\$4,500 million (31 December 2023: HK\$4,542 million), HK\$8 million (31 December 2023: Nil), HK\$228 million (31 December 2023: HK\$230 million) and HK\$1,443 million (31 December 2023: HK\$1,475 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 2024, assets deposited with the prime brokers included HK\$1,446 million (31 December 2023: HK\$1,417 million) and HK\$38.5 million (31 December 2023: HK\$16.4 million) which formed part of the Group's trading securities and debtors respectively. Analysis on collateral of the Group's bank loans is set out in note 17 of the Notes to the Financial Statements in this announcement.

EMPLOYEES

As at 30 June 2024, the Group's headquarters and wholly owned subsidiaries had 242 (31 December 2023: 255) 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 announcement.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK\$0.05 per share for the six months ended 30 June 2024 (2023: HK\$0.15 per share) to those shareholders whose names appear on the register of members of the Company on Wednesday, 25 September 2024. The interim dividend will be paid on Thursday, 10 October 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 20 September 2024 to Wednesday, 25 September 2024, 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 Thursday, 19 September 2024.

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 2024.

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix C1 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 2024, save for the deviation from code provision F.2.2 of the CG Code which stipulates that the chairman of the board should attend annual general meeting. Mr. Yu Fachang, the Chairman of the Board, did not attend the annual general meeting held on 23 May 2024 (the "AGM") due to other important business commitments and Mr. Lin Chun was elected as the chairman of the AGM by the Directors presented pursuant to the Articles of Association of the Company. Other Directors, including the chairman of each of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee, as well as the external auditor, attended the AGM and were of sufficient calibre for answering questions at the AGM.

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 C3 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 2024.

REVIEW BY AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee comprises Mr. Wong Chun Sek Edmund, Dr. Lin Zhijun and Mr. Law Cheuk Kin Stephen. The committee is chaired by Mr. Wong Chun Sek Edmund. 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 2024.

By Order of the Board
China Everbright Limited
Lin Chun
President

Hong Kong, 29 August 2024

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

Executive Directors:

Mr. Lin Chun (*President*)
Mr. Au Xuesong
Ms. Wang Yun
Mr. Yin Yanwu

Non-executive Directors:

Mr. Yu Fachang (*Chairman*)
Dr. Qin Hongyuan

Independent Non-executive Directors:

Dr. Lin Zhijun
Mr. Law Cheuk Kin Stephen
Mr. Wong Chun Sek Edmund