

## Embrace the Unknown, Change for Chances ZHAO Wei, Executive Director and CEO of Everbright Delivers Opening Speech

At the opening of the 8th Everbright Investment Conference on 24 October, Zhao Wei, Executive Director and CEO of Everbright, delivered an opening speech under the theme: “**Embrace the Unknown, Change for Chances**”. He shared his views on trends in the economy and the macro environment with guests, and announced the launch of Everbright’s new development strategy.

The full speech of Mr. Zhao is transcribed as follows:



October marks the best time and season for harvest in China. This year, we have come to the fast-developing city of Zhengzhou to hold our eighth annual investment conference and share with our friends here our views on economic trends and the macro environment, and to introduce the company’s new development strategy. Here, I would like to express my heartfelt thanks to the management team, our distinguished guests, and investors for your support for Everbright!

My speech will cover three points:

## 1. Macroeconomic trends and the industry environment

In 2019, the global economy has been impacted by multiple factors, as the domestic economy undergoes transformation. The slowdown in the overall momentum of global economic growth, lowered global economic growth expectations from the IMF, together with trade protectionism and geopolitical uncertainty, are the main factors that are dragging down the global economy. In order to mitigate the risks from economic downside pressure, central banks have cut rates and launched large-scale monetary easing, causing negative yields in almost one third of the world's sovereign bonds. Negative rates reverse logic when it comes to asset valuation, presenting a challenge to asset managers.

Regarding the domestic economy, there are three observations from an investor's perspective that I would like to share. First, the country's growth model is shifting from traditional manufacturing to high-end manufacturing and service industries; second, the real economy and industrial innovation will be the key pillars of China's economic development in the future; and third, trade protectionism implemented by foreign countries will not be able to drag China down, because "China's economy is big enough to withstand headwinds". Our country will be more open to facing new challenges.

Speaking of our private equity industry, the overall downturn of the industry has lasted for over two years. The heat of crowdfunding is cooling down and the requirements for limited partners and general partners in private equity have grown more specific, driving the industry to develop more integrated, accurate and professional management capabilities, building up the foundation for general partners. This is our understanding of the macro environment and the industry situation.

## 2. Milestones and enlightenment of Everbright

Over the past two decades, Everbright has been striving for change, and we have managed to overcome many crises. During the Asian financial crisis in 1998, we transformed our diversified operations into a financially focused business. In 2008, the global financial crisis created the opportunity for us to tap into the alternative asset management space. We developed M&A funds in 2014, established an AI unicorn company, Terminus, in 2015 and further consolidated our elderly care asset and established Everbright Senior Healthcare in 2019.

Currently, Everbright manages 64 funds with assets under management totaling HKD145.4 billion, ranking third in China in Private Equity International (PEI) 300 in terms of the cumulatively raised amount over the most recent five years. Due to the fact that our funds and investment nature are diversified, the Company has consistently maintained high dividends and dividend yields. We have produced around HKD30 billion in profit and around HKD10 billion in dividends for shareholders over the last decade.

As the only alternative asset manager listed in Hong Kong, Everbright has transformed from a traditional PE investment firm to a multi-asset management platform, entering development stage of 2.0 with international recognition.

**For more than two decades, Everbright has produced excellent returns for investors.** The average IRR of our funds achieved over 15%. For companies that invest heavily, such as Focus Media and Betta Pharma, their IRR reached over 60% and 40% respectively. The Company has also performed well in its own capital investment. In 2008, we acquired Lehman Brothers Asia's real estate management team (renamed as EBA Investments) for USD800,000. When we merged our A-share listed company Everbright Garbo with EBA Investments in 2016, the consideration reached USD450 million. In 2015, Everbright began to incubate and develop Terminus, and the company's value is now more than 25 times the initial investment in three years only.

**Everbright focuses on the growth of invested companies and partners.** In 2011, when Everbright acquired China Aircraft Leasing Group, the company had only 10 aircraft with total assets of around HKD3 billion. Over the last eight years it has expanded into a fleet with around 140 aircraft and around 270 orders on hand, with a total asset value of HKD43 billion, growing by 10 times its initial size at the time of investment. In 2015, Everbright's overseas M&A team acquired a US auto inspection company BPG and completed other related transactions worldwide. After three years, BPG has developed into a competitive and comprehensive intelligent industrial manufacturing company, with impressive improvements in its profits and valuation.

First of all, we would like to present our appreciation for the achievements Everbright has made today. Our success is a microcosm of China's reform and opening up, economic development, as well as Hong Kong's "one country, two systems" and internal and external connections. From

our perspective, we attribute it to the “five fulls”: first, Everbright has fully exploited competitive capital costs and its investment network of state-owned enterprises as part of its development. The second has given full play to cross-border advantages with dual currency capabilities and rich product lines. The third has been to fully practice industrial investment and have the advantage of research capabilities in the industry. The fourth is to fully respect market mechanisms and give play to market-oriented operational and management advantages. The fifth is to fully abide by investment discipline, have a strict risk control systems and transparent corporate governance advantages. Our requirement for ourselves is that measuring success not only depends on the companies we have invested in, but also on the pitfalls we have escaped and avoided.

The greatest truths are the simplest. Everbright always insists on making friends with time, other than paying attention to speculative operation. Amazon’s founder Bezos once asked Warren Buffett that, since his investment system is so simple, why do others not do the same thing as him? Buffett’s answer was, “Because there are not so many people who are willing to get rich slowly.” Everyone trusts Everbright because the Group has these characteristics, and it will continue to stick to these principles, keeping our strength, not forgetting the initial intention to invest, and adhere to the motto of “The Power to Transform” and advance steadily.

### 3. Everbright’s new strategy

As the new environment sets higher requirements for Everbright, China Everbright Group has also proposed a strategic goal of becoming a world-class finance management group. As an important part of China Everbright Group, Everbright has developed a new strategy spanning five to 10 years.

Today, on behalf of the Company, I announced Everbright’s new strategy to our partners. We intend to bring about new developments with this goal, while striving towards advancing Everbright to a new level.

**Our vision is to “focus investment in the industry, create an alternative asset management system with a competitive advantage, and strive to become the world’s leading cross-border asset management company”. We will adhere to the “One, Four, Three”**

**development plan:**

**“One” refers to setting alternative investment as the Group’s core business;**

**“Four” refers to the further enhancement of Everbright’s four focused sectors – aircraft full value-chain, real estate management, AIoT, and elderly care management – to create synergy with the development of the main business of asset management;**

**“Three” refers to boosting the Group’s capability in marketisation, specialisation and internationalisation, in order to protect its core business of asset management.**

**Hence, we will strive to create an alternative asset management model with a combination of industry, finance, products and investment, that all carry the special characteristics of Everbright. We hope to make some useful explorations of innovation within the model, for the private equity field in China.**

We will achieve our goals through five development paths:

**First, Everbright will focus on fundraising, investment and asset management around the four leading enterprises that have been incubated and nurtured by Everbright. By doing so, Everbright will reinforce those relevant fields as well as the upstream and downstream of the industrial chain, to establish ecological systems and further expand and strengthen the industry, as well as promote friendly interactions between the industry and asset management.**

In terms of full value chain aircraft service, based on the platform of the Company’s Hong Kong-listed company CALC, we will extend the aircraft leasing industry chain to the post-aircraft market, including maintenance and disassembling, and develop it into a global leading full value chain aircraft solutions provider.

In terms of real estate management, based on the platform of Everbright Jiabao Co Ltd, EBA Investments will develop in commercial real estate, future tourism real estate and elderly care real estate, to become a world-class cross-border real estate fund management and asset management company.

In the field of AIoT, we are taking full advantage of artificial intelligence, big data, cloud computing

and so on in this 5G era, and have established Terminus, the artificial intelligence and smart city management “unicorn” managed by the Group, to become a leading enterprise in the industry.

In terms of elderly care management, we will use the newly established Everbright Senior Healthcare as a platform to combine elderly care with intelligence, technology, medical care and maintenance, to create an elderly care management system with Everbright’s distinctive characteristics.

The Group plans to spend three years raising more than RMB10 billion in funds from the fields of these four leading enterprises separately to invest in new industry development, and combine industry investment with the asset management business. Achieving these objectives will further enhance the strength of the four major enterprises and their respective level of influence in the industry, as well as give them a stronger voice in the industry.

**Second, Everbright will continue to increase its investment in other emerging industries that are being cultivated and actively explored.** Everbright will focus on high-end manufacturing, hard technology, medical health and other industries under Everbright’s superior management, and expand fundraising and investment. We hope that more of our companies will stand out as a result and become leading companies in the industry, to cultivate the fifth- and sixth-largest industries of Everbright.

**Third, Everbright will continue to strengthen regional cooperation with local governments and other financial institutions through its Fund of Funds (FoFs).** Since 2017, we have established the CEL-Hunan Fund-of-Fund and CEL-Liyang Fund-of-Fund, which have received strong support and recognition from local governments. We will continue to expand the use of this system in the Beijing-Tianjin-Hebei Region, Yangtze River Delta, Greater Bay Area, and central region in China, to promote a win-win situation for local economic development and investor income.

**Fourth, Everbright will further expand its cross-border overseas investment business.** We will continue to focus on the “One Belt, One Road” initiative and develop infrastructure and high-tech to “venture out” funds and “bring in” technology.

**Fifth, Everbright will further expand and enrich its product line, strengthen its tailor-made ability and strive to meet the diversification needs of LPs.** We need to further develop

mezzanine funds, structured investment and financing, M&A funds, and secondary alternatives. We also need to personalise the products to meet the investors' combined needs for investment periods, returns, stability and different risk preferences.

In order to achieve the above strategy, Everbright will adopt a significant leap forward in development, through “two steps”.

First, from now until 2022, we expect the AUM of Everbright's funds to reach more than HKD220 billion, topping other alternative asset management companies in China and entering the Top 100 alternative asset managers in the global PEI, out of 300.

Second, after five to 10 years of hard work, we expect Everbright to take further steps forward and become a global leading alternative asset management company, ranking among the Top 50 in the global PEI 300 in alternative asset management and achieving the two leading development goals of “a global leading asset management company” and “a global leading full value chain aircraft solutions provider”.

Dear investors and distinguished guests, the development of Everbright calls for your continued support and assistance. We will, as always, provide investors with the best returns and create the greatest value for the Group. I would like to promote Everbright and encourage you to please choose an Everbright fund for investing in private equity funds, and vote for Everbright 165.HK as a listed company.

Thank you.