



光大控股

EVERBRIGHT LIMITED

The Power to *Transform*
專注致遠 順勢有為

EMBRACE THE UNKNOWN
CHANGE FOR CHANCES

洞悉變局 創造機遇



CORPORATE INFORMATION

BOARD OF DIRECTORS

Cai Yunge (Chairman)
Zhao Wei (Chief Executive Officer)
Zhang Mingao (Chief Investment Officer)
Tang Chi Chun Richard
(Chief Financial Officer)
Yin Lianchen (Chief Investment Officer)
Lin Zhijun*
Chung Shui Ming Timpson*
Law Cheuk Kin Stephen*

* Independent Non-executive Directors

COMPANY SECRETARY

Chan Ming Kin Desmond

REGISTERED OFFICE

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

PRINCIPAL BANKERS

China Everbright Bank Company Limited
Industrial and Commercial Bank of
China (Asia) Limited
China Construction Bank Corporation
Agricultural Bank of China Limited
Bank of Communications Company,
Limited
China Minsheng Banking Corporation
Limited, Hong Kong Branch
DBS Bank Ltd., Hong Kong Branch

SHARE REGISTRAR

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

Ernst & Young

WEBSITE ADDRESS

<http://www.everbright.com>

INVESTOR RELATIONS CONTACT

ir@everbright.com

STOCK CODE

165

INTERIM RESULTS

The board of directors (the “Board” or the “Director(s)”) of China Everbright Limited (the “Company” or “CEL”) presents the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020. The interim financial report is unaudited, but has been reviewed by Ernst & Young (the auditor of the Company) in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, whose review report is included on pages 59 to 60. 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 2020

	Note	1 January to 30 June 2020 HK\$'000	1 January to 30 June 2019 HK\$'000 (restated)
Turnover	3	9,069,012	5,663,764
Income from contracts with customers	3	195,588	291,926
Income from investments	3	1,164,768	2,362,664
Income from other sources	3	13,926	10,219
Impairment losses		–	(66,245)
Operating expenses		(487,128)	(585,371)
Profit from operations	4	887,154	2,013,193
Finance costs		(571,749)	(563,755)
Share of profits less losses of associates	9	625,694	711,497
Share of profits less losses of joint ventures	10	13,369	72,023
Profit before taxation		954,468	2,232,958
Income tax	5	(286,625)	(342,599)
Profit for the period		667,843	1,890,359
Profit attributable to equity shareholders of the Company		765,169	1,862,295
Non-controlling interests		(97,326)	28,064
Profit for the period		667,843	1,890,359
Basic and diluted earnings per share	7	HK\$0.454	HK\$1.105

The notes on pages 11 to 58 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company attributable to the period are set out in note 6.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	1 January to 30 June 2020 HK\$'000	1 January to 30 June 2019 HK\$'000 (restated)
Profit for the period	667,843	1,890,359
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	(1,578,810)	250,087
Items that may be reclassified subsequently to profit or loss		
– Share of other comprehensive income and effect of foreign currency translation of associates	(471,884)	(74,261)
– Share of other comprehensive income and effect of foreign currency translation of joint ventures	(26,966)	5,376
– Other net movement in exchange reserve	(393,199)	38,583
	(2,470,859)	219,785
Total comprehensive income for the period	(1,803,016)	2,110,144
Attributable to:		
Equity shareholders of the Company	(1,613,771)	2,111,092
Non-controlling interests	(189,245)	(948)
Total comprehensive income for the period	(1,803,016)	2,110,144

The notes on pages 11 to 58 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Non-current assets			
Property, plant and equipment		479,219	494,546
Investment properties	8	5,047,330	5,190,773
Right-of-use assets		100,939	129,574
Investments in associates	9	18,188,336	18,727,491
Investments in joint ventures	10	939,866	1,052,931
Equity investments designated at fair value through other comprehensive income	11	6,163,931	7,742,741
Financial assets at fair value through profit or loss	12	32,226,271	32,495,404
Advances to customers	13	1,006,128	983,281
Finance lease receivables		54,355	55,818
		64,206,375	66,872,559
Current assets			
Inventories		1,789,507	1,851,827
Financial assets at fair value through profit or loss	12	4,624,199	3,953,959
Advances to customers	13	1,597,323	1,942,258
Amount due from an associate		–	253,704
Debtors, deposits and prepayments	14	2,152,360	2,104,866
Trading securities	15	2,364,223	2,251,727
Cash and cash equivalents		8,687,815	7,265,583
		21,215,427	19,623,924

	Note	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Current liabilities			
Trading securities	15	(288,893)	(283,150)
Creditors, deposits received and accrued charges	16	(3,757,133)	(3,147,425)
Bank loans	17	(7,666,934)	(9,577,956)
Bonds payable	18	(2,509,865)	(3,545,240)
Other financial liabilities	19	(161,730)	(98,320)
Notes payable		(57,000)	(57,000)
Lease liabilities		(32,086)	(46,266)
Provision for taxation		(646,542)	(863,137)
		(15,120,183)	(17,618,494)
Net current assets		6,095,244	2,005,430
Total assets less current liabilities		70,301,619	68,877,989
Non-current liabilities			
Bank loans	17	(10,768,187)	(9,407,892)
Bonds payable	18	(9,098,400)	(8,372,625)
Other financial liabilities	19	(6,515,926)	(4,909,113)
Lease liabilities		(72,299)	(85,533)
Deferred tax liabilities		(2,324,925)	(2,315,456)
		(28,779,737)	(25,090,619)
NET ASSETS		41,521,882	43,787,370

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION | continued
As at 30 June 2020

	Note	30 June 2020 HK\$'000	31 December 2019 HK\$'000
CAPITAL AND RESERVES			
Share capital	21	9,618,097	9,618,097
Reserves		29,963,341	31,973,228
Total equity attributable to equity shareholders of the Company		39,581,438	41,591,325
Non-controlling interests		1,940,444	2,196,045
TOTAL EQUITY		41,521,882	43,787,370

The notes on pages 11 to 58 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to equity shareholders of the Company										
	Note	Share capital HK\$'000	Option premium reserve HK\$'000	Investment revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
As at 1 January 2020		9,618,097	1,242	6,335,552	(668,499)	(557,671)	(938,926)	27,801,530	41,591,325	2,196,045	43,787,370
Net movement by non-controlling shareholders		-	-	-	-	-	-	-	-	(66,356)	(66,356)
Dividends paid	6(b)	-	-	-	-	-	-	(387,608)	(387,608)	-	(387,608)
Transaction between non-controlling shareholders		-	-	-	-	112	-	-	112	-	112
Share of capital reserve of associates		-	-	-	-	(8,620)	-	-	(8,620)	-	(8,620)
Profit for the period		-	-	-	-	-	-	765,169	765,169	(97,326)	667,843
Other comprehensive income for the period		-	-	(1,578,810)	-	-	(800,130)	-	(2,378,940)	(91,919)	(2,470,859)
As at 30 June 2020		9,618,097	1,242	4,756,742	(668,499)	(566,179)	(1,739,056)	28,179,091	39,581,438	1,940,444	41,521,882
For the six months ended 30 June 2019 (restated)											
As at 1 January 2019		9,618,097	1,242	5,154,570	(668,499)	(621,278)	(285,248)	26,659,778	39,858,662	1,521,535	41,380,197
Net movement by non-controlling shareholders		-	-	-	-	141,470	-	-	141,470	(454,038)	(312,568)
Dividends paid	6(b)	-	-	-	-	-	-	(674,101)	(674,101)	-	(674,101)
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	1,388,563	1,388,563
Transaction between non-controlling shareholders		-	-	-	-	(4,548)	-	-	(4,548)	-	(4,548)
Share of capital reserve of associates		-	-	-	-	1,480	-	-	1,480	-	1,480
Profit for the period		-	-	-	-	-	-	1,862,295	1,862,295	28,064	1,890,359
Other comprehensive income for the period		-	-	250,087	-	(44,560)	43,270	-	248,797	(29,012)	219,785
As at 30 June 2019		9,618,097	1,242	5,404,657	(668,499)	(527,436)	(241,978)	27,847,972	41,434,055	2,455,112	43,889,167

The notes on pages 11 to 58 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	1 January to 30 June 2020 HK\$'000	1 January to 30 June 2019 HK\$'000 (restated)
Operating activities		
Cash generated from operations	2,111,389	2,771,446
Tax paid	(342,805)	(149,689)
Net cash generated from operating activities	1,768,584	2,621,757
Investing activities		
Net cash from acquisition of a subsidiary	–	25,155
Repayment of loans from an associate	700,000	–
Net divestment in associates and a joint venture	34,243	26,483
Decrease/(increase) in restricted cash	22,955	(222,494)
Net cash from losing control of a subsidiary	15,142	4,425
Other cash flows arising from investing activities	459,313	693,820
Net cash generated from investing activities	1,231,653	527,389
Financing activities		
Net repayments of bank loans	(550,726)	(160,666)
Proceeds from issue of bonds payable	–	196,190
Repayments of lease liabilities	(27,650)	(37,553)
Interest paid	(361,276)	(330,055)
Dividends paid	(387,608)	(674,101)
Dividends paid to non-controlling shareholders	(17,228)	(1,776)
Other cash flows used in financing activities	(46,187)	(294,861)
Net cash used in financing activities	(1,390,675)	(1,302,822)
Net increase in cash and cash equivalents	1,609,562	1,846,324
Cash and cash equivalents		
Beginning of the period	6,842,766	6,863,902
Exchange rate adjustments	(164,375)	153,318
End of the period	8,287,953	8,863,544
Analysis of the balances of cash and cash equivalents		
Bank balances and cash-general amounts	8,687,815	9,086,038
Restricted cash	(399,862)	(222,494)
End of the period	8,287,953	8,863,544

LOSING CONTROL OF A SUBSIDIARY

During the six months ended 30 June 2020, the Group disposed 76% equity interest in a subsidiary to associates and recognised the remaining interests as investment in an associate. During the six months ended 30 June 2019, the Group fully disposed a subsidiary to an associate. The fair value of the assets and liabilities disposed of were as follows:

	1 January to 30 June 2020 HK\$'000	1 January to 30 June 2019 HK\$'000
Consideration from losing control of a subsidiary	49,571	8,800
Less: Receivable of proceeds	(32,939)	–
Less: Cash of a subsidiary	(1,490)	(4,375)
Net cash inflow from losing control of a subsidiary	15,142	4,425
Add: Receivable of proceeds	32,939	–
Less: Property, plant and equipment	(256)	–
Less: Right-of-use assets	(388)	–
Less: Debtors, deposits and prepayments	(16,283)	–
Add: Lease liabilities	247	–
Add: Creditors, deposits received and accrued charges	10,081	–
	41,482	4,425
Add: Investment in an associate	15,654	–
Gain on losing control of a subsidiary	57,136	4,425

NOTES TO THE FINANCIAL REPORT

For the six months ended 30 June 2020

1. BASIS OF PRESENTATION

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 27 August 2020.

The financial information relating to the year ended 31 December 2019 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 these 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 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company’s auditor, Ernst & Young, has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The designation of Ying Li International Real Estate Limited (“Ying Li”) as “Held for Sale” as at 30 June 2019 has been revoked to conform with the change in Business Decision (note 28). The comparative 2019 interim financial information has been restated to properly reflect the business decision.

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for those described in notes 2 and 30.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In addition to the changes in accounting policies due to amendments to HKFRSs detailed below, the Group changed the presentation of certain items in the statement of cash flows for the current period, as detailed in note 30.

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 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

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

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

Amendments to HKFRS 3

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(continued)

Amendments to HKFRS 9, HKAS 39 and HKFRS 7

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

Amendments to HKAS 1 and HKAS 8

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

3. TURNOVER, INCOME FROM CONTRACTS WITH CUSTOMERS, INVESTMENTS AND OTHER SOURCES

Turnover from operations represents the aggregate of service fee income, sales of inventories, interest income, dividend income, rental income from investment properties, rental income from finance leases and gross sale proceeds from disposal of trading securities of secondary market investments.

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

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

	1 January to 30 June 2020 HK\$'000	1 January to 30 June 2019 HK\$'000 (restated)
Income from contracts with customers		
Recognised over time		
Management fee income	128,365	181,802
Net rental income from investment properties	51,927	50,988
Recognised at a point of time		
Consultancy fee and performance fee income	12,547	47,157
Sales of inventories	10,162	96,301
Cost of sales	(7,413)	(84,322)
	195,588	291,926
Income from investments		
Interest income		
Financial assets not at fair value through profit or loss		
Bank deposits	30,313	66,653
Advances to customers	139,009	104,375
Debt investments	49,305	32,927
Dividend income		
Financial assets at fair value through profit or loss and trading securities	83,202	392,505
Equity investments designated at fair value through other comprehensive income	365,877	295,173
Realised gain on investments		
Net realised gain on financial assets at fair value through profit or loss	485,086	796,924
Realised gain on trading securities	44,707	154,540
Unrealised gain/(loss) on investments		
Change of unrealised loss on financial assets at fair value through profit or loss	(39,911)	(172,480)
Change of unrealised (loss)/gain on trading securities	(49,956)	68,264
Others		
Gain on disposal of subsidiaries	57,136	4,425
Gain on bargain purchase (note 28)	-	619,358
	1,164,768	2,362,664
Income from other sources		
Rental income from finance leases	3,183	2,992
Exchange loss, net	(20,924)	(16,731)
Others	31,667	23,958
	13,926	10,219

NOTES TO THE FINANCIAL REPORT | continued
For the six months ended 30 June 2020

4. PROFIT FROM OPERATIONS

Profit from operations is stated after charging the following:

	1 January to 30 June 2020 HK\$'000	1 January to 30 June 2019 HK\$'000 (restated)
Depreciation and amortisation expenses	35,985	52,999
Employee expenses (wages, bonuses and allowances)	150,202	246,421

5. INCOME TAX

The provision for Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the six months ended 30 June 2020. Taxation for overseas subsidiaries is calculated at the appropriate current rates of taxation in the relevant jurisdictions.

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

	1 January to 30 June 2020 HK\$'000	1 January to 30 June 2019 HK\$'000 (restated)
Current taxation		
– Hong Kong profits tax	2,130	2,710
– Overseas taxation	122,714	217,983
– Over provision in prior years	(595)	(112)
Deferred taxation		
– Deferred taxation relating to the reversal and origination of temporary differences	162,376	122,018
Income tax	286,625	342,599

6. DIVIDENDS

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

	1 January to 30 June 2020 HK\$'000	1 January to 30 June 2019 HK\$'000
– Interim dividend declared after the end of the reporting period of HK\$0.14 (2019: HK\$0.25) per share	235,936	421,313

Subsequent to the period end, the Board of Directors declared an interim dividend of HK\$0.14 per share (2019: HK\$0.25 per share) for the six months period ended 30 June 2020. The declared dividend is not reflected as dividend payable in the financial statements.

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

	1 January to 30 June 2020 HK\$'000	1 January to 30 June 2019 HK\$'000
– Final dividend in respect of the previous financial year, approved and paid during the period of HK\$0.23 (2019: HK\$0.4) per share	387,608	674,101

7. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the six months period ended 30 June 2020 is based on the profit attributable to equity shareholders of the Company of HK\$765,169,000 (six months ended 30 June 2019: HK\$1,862,295,000, as restated) and the weighted average number of 1,685,253,712 shares (six months ended 30 June 2019: 1,685,253,712 shares) in issue during the period.

NOTES TO THE FINANCIAL REPORT | continued
For the six months ended 30 June 2020

8. INVESTMENT PROPERTIES

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
As at 1 January	5,190,773	446,306
Additions	–	48,206
Acquisition*	–	4,780,905
Disposal	–	(16,600)
Net surplus on revaluation of investment properties	–	122,463
Exchange adjustments	(143,443)	(190,507)
As at 30 June 2020/31 December 2019	5,047,330	5,190,773

* Due to acquisition of Ying Li in 2019.

9. INVESTMENTS IN ASSOCIATES

(a) Investments in associates

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Carrying value, net (note)	18,188,336	18,727,491
Market value of shares listed in mainland China	19,017,491	16,268,972
Market value of shares listed in Hong Kong	1,625,687	2,002,827

Note:

A goodwill of approximately HK\$1,509,673,000 (31 December 2019: HK\$1,550,307,000) arising from the acquisition of Everbright Jiabao Co., Ltd has been included in the carrying value of investments in associates.

9. INVESTMENTS IN ASSOCIATES (continued)

(b) As at 30 June 2020, particulars of principal associates of the Group are as follows:

Name of associate	Place of incorporation/ operation	Principal activities	Percentage of equity interest held by the Company
Everbright Securities Company Limited# ("Everbright Securities")	The PRC	Securities operations (note 1)	21.30%
China Aircraft Leasing Group Holdings Limited## ("CALGH")	Cayman Islands	Investment holding (note 2)	36.61%*
Everbright Jiabao Co., Ltd.### ("Jiabao Group")	The PRC	Real estate development/ real estate assets management (note 3)	29.17%*
China Everbright Senior Healthcare Company Limited ("Everbright Senior Healthcare")	Hong Kong	Providing senior health care services (note 4)	49.29%*

NOTES TO THE FINANCIAL REPORT | continued
For the six months ended 30 June 2020

9. INVESTMENTS IN ASSOCIATES (continued)

(b) As at 30 June 2020, particulars of principal associates of the Group are as follows: (continued)

- # Market value of the listed shares in mainland China as at 30 June 2020 was equivalent to HK\$17,148,774,000 (31 December 2019: HK\$14,364,606,000).
- ## Market value of the listed shares in Hong Kong as at 30 June 2020 was HK\$1,625,687,000 (31 December 2019: HK\$2,002,827,000).
- ### Market value of the listed shares in mainland China as at 30 June 2020 was equivalent to HK\$1,868,717,000 (31 December 2019: HK\$1,904,366,000).
- * Held indirectly

Note 1: Everbright Securities is the Group's cornerstone investments to capitalise on the growth of securities markets in mainland China and Hong Kong.

Note 2: CALGH is a strategic industry platform investment of the Group to capture multiple opportunities along the aircraft value chain arising from the rapid growth of aviation industry. CALGH's lease offerings are complemented by fleet planning consultation, structured leasing, aircraft trading and re-marketing and aircraft disassembly. During the six months ended 30 June 2020, the Group's equity interest in CALGH was increased from 35.67% to 36.61% as a result of scrip dividend received.

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

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

For the six months ended 30 June 2020, Everbright Securities has recorded an after tax profit of RMB2,222 million (six months ended 30 June 2019: RMB1,682 million) and the Group's share of profit under equity accounting method, amounted to HK\$506 million (six months ended 30 June 2019: HK\$396 million).

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 2020 HK\$'000	31 December 2019 HK\$'000
Carrying value, net	939,866	1,052,931

(b) As at 30 June 2020, details of the Group's principal investments in joint ventures are mainly as follows:

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

* Held indirectly

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

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

Note 3: CEL Capital Prestige Asset Management Co., Ltd. is a joint venture of the Group to provide assets management service to an industrial sector investment fund in mainland China.

All of the above joint ventures are unlisted corporate entities whose quoted market prices were not available as at 30 June 2020. They are accounted for using the equity method in the condensed consolidated financial statements.

NOTES TO THE FINANCIAL REPORT | continued
For the six months ended 30 June 2020

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
At fair value:		
Listed equity securities – outside Hong Kong	6,163,931	7,742,741

The Group designated the investment in China Everbright Bank Company Limited (“China Everbright Bank”) as financial assets at fair value through other comprehensive income because the Group intends to hold for the long-term strategic purposes.

No strategic investment was disposed of during the six months period ended 30 June 2020, and there were no transfers of any cumulative gain or loss within equity relating to this investment.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Non-current assets		
At fair value:		
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	26,740,475	26,932,748
Unlisted preference shares		
– outside Hong Kong	4,621,030	4,731,775
Unlisted debt securities		
– outside Hong Kong	864,766	830,881
	32,226,271	32,495,404
Current assets		
At fair value:		
Listed equity securities		
– in Hong Kong	2,241,854	1,484,328
– outside Hong Kong	1,917,195	2,040,936
Unlisted equity securities/collective investment schemes		
– outside Hong Kong	465,150	428,695
	4,624,199	3,953,959

As at 30 June 2020, the Group's listed and unlisted equity securities amounting to a fair value of HK\$23,650,738,000 (31 December 2019: HK\$24,188,557,000) were investments in associates and joint ventures. The Group was exempted from applying the equity method to these investments and they were measured as financial assets designated at fair value through profit or loss.

NOTES TO THE FINANCIAL REPORT | continued
For the six months ended 30 June 2020

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

During the six months ended 30 June 2020, the Group had certain unlisted financial assets at fair value through profit or loss recorded at a purchase price which was below the fair value at inception that would be determined at that date using a valuation technique. According to the Group's accounting policy, the difference yet to be recognised in the consolidated statement of profit or loss at the beginning and the end of the period/year is as follows:

	2020 HK\$'000	2019 HK\$'000
As at 1 January	245,306	673,189
Released during the period/year	–	(425,688)
Exchange adjustment	(5,999)	(2,195)
As at 30 June 2020/31 December 2019	239,307	245,306

13. ADVANCES TO CUSTOMERS

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Non-current assets		
Term loans to customers		
– secured	216,481	330,216
– unsecured	789,647	653,065
	1,006,128	983,281
Current assets		
Term loans to customers		
– secured	1,881,814	2,205,658
Less: impairment allowance	(299,996)	(299,996)
	1,581,818	1,905,662
– unsecured	15,505	36,596
	1,597,323	1,942,258

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.

Movements in the impairment allowance for term loans to customers are as follows:

	2020 HK\$'000	2019 HK\$'000
As at 1 January	299,996	77,251
Impairment loss, net	–	222,745
As at 30 June 2020/31 December 2019	299,996	299,996

Except for the above impairment allowance of HK\$299,996,000 (31 December 2019: HK\$299,996,000), there were no other significant receivables, that were aged, requiring significant impairment provision as at 30 June 2020 and 31 December 2019.

NOTES TO THE FINANCIAL REPORT | continued
For the six months ended 30 June 2020

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Accounts receivable	749,835	748,358
Deposits, prepayments, interest and other receivables	1,487,248	1,441,231
	2,237,083	2,189,589
Less: impairment allowance	(84,723)	(84,723)
	2,152,360	2,104,866

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

The carrying amount of debtors, deposits and prepayments approximated to their fair values as at 30 June 2020 and 31 December 2019.

Their recoverability was assessed with reference to the credit status of the debtors, and impairment allowance of HK\$84,723,000 (31 December 2019: HK\$84,723,000) was provided as at 30 June 2020.

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

	2020 HK\$'000	2019 HK\$'000
As at 1 January	84,723	68,478
Impairment loss, net	–	16,245
As at 30 June 2020/31 December 2019	84,723	84,723

15. TRADING SECURITIES

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Current assets		
At fair value:		
Listed equity securities		
– in Hong Kong	295,942	397,531
– outside Hong Kong	356,677	230,855
Listed debt securities		
– in Hong Kong	173,818	315,434
– outside Hong Kong	1,520,252	1,248,315
Unlisted debt securities	12,628	44,677
Derivatives		
– listed	–	727
– unlisted	4,906	14,188
	2,364,223	2,251,727
Current liabilities		
At fair value:		
Listed equity securities		
– in Hong Kong	(198,382)	(93,266)
– outside Hong Kong	(46,219)	(126,070)
Listed debt securities		
– outside Hong Kong	–	(16,225)
Derivatives		
– listed	(54)	(1,620)
– unlisted	(44,238)	(45,969)
	(288,893)	(283,150)

NOTES TO THE FINANCIAL REPORT | continued
For the six months ended 30 June 2020

16. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Creditors, deposits received and accrued charges	3,757,133	3,147,425

As at 30 June 2020 and 31 December 2019, creditors, deposits received and accrued charges included bonuses payable to staff.

17. BANK LOANS

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Repayable details as follows:		
Within 1 year	7,666,934	9,577,956
1 to 5 years	9,985,067	8,529,337
Over 5 years	783,120	878,555
	18,435,121	18,985,848

As at 30 June 2020 and 31 December 2019, the bank loans were secured as follows:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Bank loans:		
– secured	3,459,254	3,773,661
– unsecured	14,975,867	15,212,187
	18,435,121	18,985,848

17. BANK LOANS (continued)

As at 30 June 2020, the bank loans are secured by:

- (a) Mortgage over certain investment properties with carrying value of approximately HK\$4.3 billion (31 December 2019: approximately HK\$4.4 billion);
- (b) Mortgage over certain inventories with carrying value of approximately HK\$398 million (31 December 2019: approximately HK\$409 million);
- (c) Pledged by the equity interests in subsidiaries with carrying value of approximately HK\$489 million (31 December 2019: approximately HK\$429 million); and
- (d) Bank balances pledged amounting to HK\$170 million (31 December 2019: HK\$177 million).

18. BONDS PAYABLE

	2020 HK\$'000	2019 HK\$'000
As at 1 January	11,917,865	11,840,010
New issuance during the period/year	–	196,190
Exchange rate adjustments	(309,600)	(118,335)
As at 30 June 2020/31 December 2019	11,608,265	11,917,865
Current liabilities	2,509,865	3,545,240
Non-current liabilities	9,098,400	8,372,625
	11,608,265	11,917,865

NOTES TO THE FINANCIAL REPORT | continued
For the six months ended 30 June 2020

19. OTHER FINANCIAL LIABILITIES

	Note	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Current:			
Financial liabilities to third party investors	(a)	161,730	98,320
Non-current:			
Financial liabilities to third party investors	(a)	6,515,926	4,909,113

- (a) Included in the above are mainly balances arising from part of the Group's normal course of business. The Group set up investment funds that issue redeemable units to third party investors. The third party investors can redeem the invested units for cash after the end of the commitment period. The redeemable units held by third party investors were classified as other financial liabilities in the condensed consolidated statement of financial position.

20. 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 2020

	Indefinite HK\$'000	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Assets							
- Advances to customers	-	-	537,216	1,060,107	1,006,128	-	2,603,451
- Equity investments designated at fair value through other comprehensive income	6,163,931	-	-	-	-	-	6,163,931
- Financial assets at fair value through profit or loss	35,985,704	-	-	-	864,766	-	36,850,470
- Trading securities	657,525	-	1,706,698	-	-	-	2,364,223
- Cash and cash equivalents	-	7,967,103	320,850	399,862	-	-	8,687,815
	42,807,160	7,967,103	2,564,764	1,459,969	1,870,894	-	56,669,890
Liabilities							
- Trading securities	(288,893)	-	-	-	-	-	(288,893)
- Bank loans	-	-	(1,626,049)	(6,040,885)	(9,985,067)	(783,120)	(18,435,121)
- Bonds payable	-	-	(141,865)	(2,368,000)	(9,098,400)	-	(11,608,265)
- Other financial liabilities	(10,735)	-	-	(161,730)	(788,518)	(5,716,673)	(6,677,656)
- Notes payable	-	(27,000)	(30,000)	-	-	-	(57,000)
- Lease liabilities	-	-	(12,009)	(20,077)	(72,299)	-	(104,385)
	(299,628)	(27,000)	(1,809,923)	(8,590,692)	(19,944,284)	(6,499,793)	(37,171,320)

NOTES TO THE FINANCIAL REPORT | continued
For the six months ended 30 June 2020

20. MATURITY PROFILE (continued)

As at 31 December 2019

	Indefinite HK\$'000	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Assets							
- Advances to customers	-	-	60,080	1,882,178	983,281	-	2,925,539
- Equity investments designated at fair value through other comprehensive income	7,742,741	-	-	-	-	-	7,742,741
- Financial assets at fair value through profit or loss	35,618,482	-	-	-	830,881	-	36,449,363
- Trading securities	643,301	-	1,608,426	-	-	-	2,251,727
- Cash and cash equivalents	-	6,454,692	388,074	422,817	-	-	7,265,583
	44,004,524	6,454,692	2,056,580	2,304,995	1,814,162	-	56,634,953
Liabilities							
- Trading securities	(266,925)	-	(16,225)	-	-	-	(283,150)
- Bank loans	-	-	(2,220,346)	(7,357,610)	(8,529,337)	(878,555)	(18,985,848)
- Bonds payable	-	-	-	(3,545,240)	(8,372,625)	-	(11,917,865)
- Other financial liabilities	-	-	-	(98,320)	(891,878)	(4,017,235)	(5,007,433)
- Notes payable	-	(27,000)	-	(30,000)	-	-	(57,000)
- Lease liabilities	-	-	(13,057)	(33,209)	(81,319)	(4,214)	(131,799)
	(266,925)	(27,000)	(2,249,628)	(11,064,379)	(17,875,159)	(4,900,004)	(36,383,095)

21. SHARE CAPITAL

	30 June 2020		31 December 2019	
	No. of shares (‘000)	HK\$'000	No. of shares (‘000)	HK\$'000
Ordinary shares issued and fully paid: End of period/year	1,685,254	9,618,097	1,685,254	9,618,097

22. MATERIAL RELATED PARTY TRANSACTIONS

- (a) The following transactions were entered into with related parties during the period:

	1 January to 30 June 2020 HK\$'000	1 January to 30 June 2019 HK\$'000
Management fee income from:		
– a joint venture	580	482
– associates exempted from applying the equity method and was recognised as a financial asset at fair value through profit or loss	58,775	72,021
Bank interest income from a fellow subsidiary/a related party bank	25,213	57,071
Consultancy and other service income from an associate	–	878
Dividend income from:		
– associates exempted from applying the equity method and was recognised as a financial asset at fair value through profit or loss	42,002	303,287
– a fellow subsidiary/a related party bank	365,877	295,173
Bank loans interest expense to a fellow subsidiary/a related party bank	32,288	13,980
Consultancy fee to an associate	12,485	12,073

NOTES TO THE FINANCIAL REPORT | continued
For the six months ended 30 June 2020

22. MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Loan to an associate	–	253,704
Amounts due from associates (included in debtors, deposits and prepayments)	15,226	6,356
Bank deposits with a fellow subsidiary/ a related party bank (including bank deposits in trust accounts)	4,155,542	5,086,176
Bank loans from a fellow subsidiary/ a related party bank	(2,330,278)	(780,000)
Interests in collective investment schemes issued by an associate (included in financial assets at fair value through profit or loss)	3,766,624	3,196,718

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

Loan to an associate is unsecured, interest-bearing and repayable within one year.

22. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Transactions with other PRC state-owned entities

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (“State-owned Entities”). Transactions with other State-owned Entities include but are not limited to: lending and deposit taking; issuance and redemption of bonds issued by other State-owned Entities; purchase, sale and leases of properties and other assets; and rendering and receiving of utilities and other services.

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.

23. CONTINGENT LIABILITIES

Corporate guarantee

	Note	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Guarantee given by the Company to financial institutions in respect of banking facilities granted to subsidiaries	i	9,937,837	7,037,520

Note:

- i. The Group's subsidiaries have utilised these banking facilities of HK\$8,249,031,000 as at 30 June 2020 (31 December 2019: HK\$6,002,934,000).

NOTES TO THE FINANCIAL REPORT | continued
For the six months ended 30 June 2020

24. COMMITMENTS

(a) Capital commitments

As at 30 June 2020, the Group had capital commitments as follows:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Contracted but not provided for:		
– consolidated structured entities	3,345,537	4,312,261
– unconsolidated structured entities	4,051,307	4,393,472
– term loans to customers	–	123,915
	7,396,844	8,829,648

(b) As at 30 June 2020, 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 2020 HK\$'000	31 December 2019 HK\$'000
Within 1 year	159,185	186,660
After 1 year but within 2 years	122,497	142,734
After 2 years but within 3 years	95,208	104,294
After 3 years but within 4 years	80,531	83,827
After 4 years but within 5 years	68,622	70,952
After 5 years	158,901	188,212
	684,944	776,679

24. COMMITMENTS (continued)

(c) Off-balance sheet exposure

The fair values and the contractual or notional amounts of the Group's trading derivatives outstanding at 30 June 2020 are detailed as follows:

	Fair value assets/ (liabilities)		Contractual/notional amounts	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets derivative contracts	4,906	14,915	1,917,031	118,863
Liabilities derivative contracts	(44,292)	(47,589)	362,948	2,582,834

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

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

25. FINANCIAL INSTRUMENTS

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

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

25. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk

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

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

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

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

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

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

25. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

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

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

(c) Interest rate risk

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

The Group's interest rate positions arise from treasury and operating activities. Interest rate risk arises from treasury management, customer financing and investment portfolios. Interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets, liabilities and commitments. Interest rate risk is managed by the Finance and Accounting Department under the delegated authority of the Board of Directors and is monitored by the Risk Management Department. The instruments used to manage interest rate risk include time deposits and interest rate linked derivatives, if necessary.

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

25. FINANCIAL INSTRUMENTS (continued)

(d) Currency risk

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

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

(e) Equity price risk

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

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

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

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

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

NOTES TO THE FINANCIAL REPORT | continued
For the six months ended 30 June 2020

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

As at 30 June 2020

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement Assets				
Equity investments designated at fair value through other comprehensive income:				
– Listed equity securities	6,163,931	–	–	6,163,931
Financial assets designated at fair value through profit or loss:				
– Listed equity securities	3,640,965	–	518,084	4,159,049
– Unlisted equity securities/ collective investment schemes	–	–	27,205,625	27,205,625
– Unlisted preference shares	–	–	4,621,030	4,621,030
– Unlisted debt securities	–	–	864,766	864,766
	3,640,965	–	33,209,505	36,850,470
Trading securities:				
– Listed equity securities	652,619	–	–	652,619
– Listed debt securities	1,694,070	–	–	1,694,070
Unlisted debt securities	–	12,628	–	12,628
Unlisted derivatives	–	4,906	–	4,906
	2,346,689	17,534	–	2,364,223
	12,151,585	17,534	33,209,505	45,378,624
Liabilities				
Trading securities:				
– Listed equity securities	(244,601)	–	–	(244,601)
Derivatives				
– Listed	–	(54)	–	(54)
– Unlisted	–	(44,238)	–	(44,238)
	(244,601)	(44,292)	–	(288,893)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

As at 31 December 2019

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurement				
Assets				
Equity investments designated at fair value through other comprehensive income:				
– Listed equity securities	7,742,741	–	–	7,742,741
Financial assets at fair value through profit or loss:				
– Listed equity securities	2,727,357	–	797,907	3,525,264
– Unlisted equity securities/ collective investment schemes	–	–	27,361,443	27,361,443
– Unlisted preference shares	–	–	4,731,775	4,731,775
– Unlisted debt securities	–	–	830,881	830,881
	2,727,357	–	33,722,006	36,449,363
Trading securities:				
– Listed equity securities	628,386	–	–	628,386
– Listed debt securities	1,563,749	–	–	1,563,749
Unlisted debt securities	–	44,677	–	44,677
Derivatives:				
– Listed	–	727	–	727
– Unlisted	–	14,188	–	14,188
	2,192,135	59,592	–	2,251,727
	12,662,233	59,592	33,722,006	46,443,831
Liabilities				
Trading securities:				
– Listed equity securities	(219,336)	–	–	(219,336)
– Listed debt securities	(16,225)	–	–	(16,225)
Derivatives:				
– Listed	–	(1,620)	–	(1,620)
– Unlisted	–	(45,969)	–	(45,969)
	(235,561)	(47,589)	–	(283,150)

NOTES TO THE FINANCIAL REPORT | continued
For the six months ended 30 June 2020

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

During the six months ended 30 June 2020 and year ended 31 December 2019, there were no transfers of fair value measurements between Level 1 and Level 2.

As at 30 June 2020, one financial asset at fair value through profit or loss with fair values of HK\$363,268,000 (31 December 2019: HK\$410,507,000) was previously determined to be Level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As unadjusted quoted prices are available in the active market, the fair value measurement of this equity security was transferred accordingly from Level 3 to Level 1 of the fair value hierarchy.

Valuation techniques and inputs used in Level 2 fair value measurements

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

Information about Level 3 fair value measurements

As at 30 June 2020

Valuation techniques	Significant unobservable inputs	Range	Increase/ (decrease) in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss HK\$'000
Market comparable companies	Discount for lack of marketability	20% to 30%	5% (5%)	(29,943) 29,943
	Market multiples	1.4 to 23.4	5% (5%)	83,057 (83,057)
Binomial model and equity allocation model	Discount rate	13.72% to 19.37%	5% (5%)	(5,862) 5,940
	Volatility	30.35% to 65.79%	5% (5%)	(3,215) 3,871
Put option model	Discount for lack of marketability for restricted shares	7.95%	5% (5%)	(1,878) 1,878

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Information about Level 3 fair value measurements (continued)

As at 31 December 2019

Valuation techniques	Significant unobservable inputs	Range	Increase/ (decrease) in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss HK\$'000
Market comparable companies	Discount for lack of marketability	20% to 30%	5% (5%)	(29,860) 29,860
	Market multiples	1.0 to 29.4	5% (5%)	82,019 (82,019)
Binomial model and equity allocation model	Discount rate	11.53% to 12.68%	5% (5%)	(5,833) 5,625
	Volatility	23.89% to 58.93%	5% (5%)	(5,835) 5,046
Put option model	Discount for lack of marketability for restricted shares	1.17% to 9.28%	5% (5%)	(2,438) 2,438

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Information about Level 3 fair value measurements (continued)

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

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

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

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

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

26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	Financial assets at fair value through profit or loss				
	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 2019	410,507	28,872,679	4,628,940	1,234,181	35,146,307
Purchased	-	3,448,517	1,367,906	624,078	5,440,501
Net realised and unrealised gain/(loss) recognised in profit or loss	151,470	(608,908)	148,840	(43,771)	(352,369)
Sold	-	(3,874,715)	(21,124)	(989,372)	(4,885,211)
Reclassification	235,930	(476,130)	(1,392,787)	5,765	(1,627,222)
As at 31 December 2019 and 1 January 2020	797,907	27,361,443	4,731,775	830,881	33,722,006
Purchased	-	2,348,681	-	-	2,348,681
Net realised and unrealised gain/(loss) recognised in profit or loss	83,445	(1,219,587)	(58,722)	33,885	(1,160,979)
Sold	-	(1,284,912)	(52,023)	-	(1,336,935)
Reclassification	(363,268)	-	-	-	(363,268)
As at 30 June 2020	518,084	27,205,625	4,621,030	864,766	33,209,505

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, Fund of Funds ("FoF") and Wealth Management.

- Primary market investment – investment in unlisted equity securities or equity derivatives with equity position for participating in the ongoing management of these companies, and with an ultimate objective of capital gain on investee's equity listing or through other exit channels. Areas of investments include new economy, artificial intelligence and advanced manufacturing, new energy, medical care and senior healthcare, overseas acquisition and infrastructure, real estate (including Jiabao Group), aircraft industry chain, mezzanine fund and others.
- Secondary market investment – provides a diversified range of financial services, including asset management, investment management and investment advisory activities. Products include absolute return funds, bond funds and equity funds.

27. SEGMENT INFORMATION (continued)

Fund Management Business (continued)

- Fund of Funds investment or “FoF” – FoF invested in both funds initiated and managed by the Group as well as external funds with proven track records of performance and governance. FoF can provide one-stop solution that offers liquidity and potential returns for mega-size institutions.
- Wealth Management – Everbright Prestige has become an important carrier and business platform for the Group’s asset management business in mainland China. It engages in asset management for specific clients and other business activities authorised by the China Securities Regulatory Commission. The business can provide advisory services directly to specific customers including Qualified Foreign Institutional Investors (“QFII”), onshore insurance companies and other institutions which are set up and operate according to the law. Everbright Prestige demonstrates its value in four areas including assets under management contribution, product creation and design, distribution channels and client consolidation, and the creation of more “Everbright” synergy.

Principal Investments Business

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

- Strategic industry platform investments: 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.
- Cornerstone investments: The Group’s stake in China Everbright Bank and Everbright Securities contributing relative stable earnings and dividend income.

NOTES TO THE FINANCIAL REPORT | continued
For the six months ended 30 June 2020

27. SEGMENT INFORMATION (continued)

Business segments

For the six months ended 30 June 2020:

	Fund Management Business				Principal Investments Business			Reportable segments total HK\$'000	Total HK\$'000
	Primary Market HK\$'000	Secondary Market HK\$'000	Fund of Funds HK\$'000	Wealth Management HK\$'000	Strategic Industry Platform Investments HK\$'000	Financial Investments HK\$'000	Cornerstone Investments HK\$'000		
Income from contracts with customers	96,175	29,392	10,776	-	-	59,245	-	195,588	195,588
Income from investments	(530,535)	(160,150)	195,680	-	172,429	1,121,467	365,877	1,164,768	1,164,768
Income from other sources	(469)	(6,854)	-	-	-	21,249	-	13,926	13,926
Total income	(434,829)	(137,612)	206,456	-	172,429	1,201,961	365,877	1,374,282	1,374,282
Segment operating results	(549,169)	(206,102)	190,886	(130)	158,807	968,939	365,877	929,108	929,108
Unallocated head office and corporate expenses									(613,703)
Share of profits less losses of associates	33,133	-	-	-	87,010	(793)	506,344	625,694	625,694
Share of profits less losses of joint ventures	3,749	-	-	9,620	-	-	-	13,369	13,369
Profit before taxation									954,468
Less: Non-controlling interests	30,683	23,216	2,231	-	-	41,196	-	97,326	
Segment results	(481,604)	(182,886)	193,117	9,490	245,817	1,009,342	872,221	1,665,497	

27. SEGMENT INFORMATION (continued)

Business segments (continued)

For the six months ended 30 June 2019 (restated):

	Fund Management Business				Principal Investments Business			Reportable segments total HK\$'000	Total HK\$'000
	Primary Market HK\$'000	Secondary Market HK\$'000	Fund of Funds HK\$'000	Wealth Management HK\$'000	Strategic Industry Platform Investments HK\$'000	Financial Investments HK\$'000	Cornerstone Investments HK\$'000		
Income from contracts with customers	142,817	62,529	9,306	-	-	77,274	-	291,926	291,926
Income from investments	328,432	331,278	82,104	-	97,493	1,228,184	295,173	2,362,664	2,362,664
Income from other sources	2,104	(4,741)	-	-	-	12,856	-	10,219	10,219
Total income	473,353	389,066	91,410	-	97,493	1,318,314	295,173	2,664,809	2,664,809
Segment operating results	302,278	332,326	76,870	(410)	69,602	1,120,125	295,173	2,195,964	2,195,964
Unallocated head office and corporate expenses									(746,526)
Share of profits less losses of associates	195,689	-	-	-	110,345	9,345	396,118	711,497	711,497
Share of profits less losses of joint ventures	40,512	-	-	31,511	-	-	-	72,023	72,023
Profit before taxation									2,232,958
Less: Non-controlling interests	(13,042)	(60,081)	-	-	-	45,059	-	(28,064)	
Segment results	525,437	272,245	76,870	31,101	179,947	1,174,529	691,291	2,951,420	

NOTES TO THE FINANCIAL REPORT | continued
For the six months ended 30 June 2020

27. SEGMENT INFORMATION (continued)

Other information

As at 30 June 2020:

	Fund Management Business				Principal Investments Business			Reportable segments total HK\$'000	Total HK\$'000
	Primary Market HK\$'000	Secondary Market HK\$'000	Fund of Funds HK\$'000	Wealth Management HK\$'000	Strategic Industry Platform Investments HK\$'000	Financial Investments HK\$'000	Cornerstone Investments HK\$'000		
Segment assets	22,871,204	3,769,202	8,088,657	-	1,991,699	23,004,373	6,163,931	65,889,066	65,889,066
Investments in associates	3,894,270	-	-	-	2,176,008	608,555	11,509,503	18,188,336	18,188,336
Investments in joint ventures	213,127	-	-	726,739	-	-	-	939,866	939,866
Unallocated head office and corporate assets									404,534
Total assets									85,421,802
Segment liabilities	3,427,167	1,308,897	3,696,339	-	-	4,882,406	-	13,314,809	13,314,809
Unallocated head office and corporate liabilities									27,613,644
Provision for taxation									646,542
Deferred tax liabilities									2,324,925
Total liabilities									43,899,920

As at 31 December 2019:

	Fund Management Business				Principal Investments Business			Reportable segments total HK\$'000	Total HK\$'000
	Primary Market HK\$'000	Secondary Market HK\$'000	Fund of Funds HK\$'000	Wealth Management HK\$'000	Strategic Industry Platform Investments HK\$'000	Financial Investments HK\$'000	Cornerstone Investments HK\$'000		
Segment assets	22,233,443	4,572,350	7,350,837	-	2,232,325	22,171,319	7,742,741	66,303,015	66,303,015
Investments in associates	3,963,063	-	-	-	2,209,252	1,292,387	11,262,789	18,727,491	18,727,491
Investments in joint ventures	261,752	-	-	791,179	-	-	-	1,052,931	1,052,931
Unallocated head office and corporate assets									413,046
Total assets									86,496,483
Segment liabilities	2,661,441	997,841	2,948,239	-	-	4,712,647	-	11,320,168	11,320,168
Unallocated head office and corporate liabilities									28,210,352
Provision for taxation									863,137
Deferred tax liabilities									2,315,456
Total liabilities									42,709,113

27. SEGMENT INFORMATION (continued)

Geographical segments

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

	For the six months ended 30 June 2020			For the six months ended 30 June 2019 (restated)		
	Hong Kong and others	Mainland China	Total	Hong Kong and others	Mainland China	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Income from contracts with customers	73,207	122,381	195,588	121,466	170,460	291,926
Income from investments	(550,753)	1,715,521	1,164,768	547,369	1,815,295	2,362,664
Income from other sources	(19,120)	33,046	13,926	(30,948)	41,167	10,219
	(496,666)	1,870,948	1,374,282	637,887	2,026,922	2,664,809

	For the six months ended 30 June 2020			For the year ended 31 December 2019		
	Hong Kong and others	Mainland China	Total	Hong Kong and others	Mainland China	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Specified non-current assets	2,461,097	22,294,593	24,755,690	3,181,413	22,413,902	25,595,315

28. DISCONTINUED OPERATIONS

On 3 April 2019 ("Date of Acquisition"), the Group acquired an additional 30% equity interests in Ying Li International Real Estate Limited ("Ying Li") and as a result, the Group held 58.91% equity interests upon completion of such acquisition. The Group further made a mandatory unconditional cash offer for all the shares in the capital of Ying Li. Upon completion of the offer, the Group held an aggregate of 72.04% of the shares of Ying Li, with a view to hold it for resale within one year.

28. DISCONTINUED OPERATIONS (continued)

As at 30 June 2019, the Group classified the above investment as a disposal group held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The adjusted aggregate balances of the assets and liabilities of Ying Li have been presented in the Group's condensed consolidated statement of financial position as assets classified as held for sale and liabilities classified as held for sale respectively. The assets and liabilities of Ying Li classified as held for sale reflect the assets and liabilities of Ying Li at fair value (after taking into account the purchase price allocation performed by the Group with the best available information as at 30 June 2019), and also the adjustments needed to carry the Group's equity interest in Ying Li at the fair value less costs to sell. The fair value less costs to sell was measured with reference to the listed share price of Ying Li as at 30 June 2019. No profit or loss was recognised as Ying Li's share price as at 30 June 2019 equals the purchase consideration per share.

Further in late 2019, the Group has not proceeded with the potential disposal of Ying Li shares and considered that the latest business plan of continuing to hold the majority interest in Ying Li in the near future is in the interests of the shareholders of the Company ("Business Decision"). Accordingly, Ying Li ceased to be classified as a disposal group under HKFRS 5. After the reclassification, the financial position and results of Ying Li has been consolidated into the Group's financial statements on a line-by-line basis. A purchase price allocation was performed by the Group. A gain on bargain purchase of HK\$619,358,000 was recognised for the year ended 31 December 2019.

Under HKFRS 5, the financial statements for the periods since classification as held for sale shall be amended. Accordingly, the comparative condensed consolidated financial statements of the Group for the six months ended 30 June 2019 was amended to reflect the Business Decision, as if Ying Li was consolidated as part of the Group's continuing operations, on a line-by-line basis. The amendment has resulted in an amendment to recognise the gain on bargain purchase of HK\$619,358,000 as of the Date of Acquisition and its contributed total income of approximately HK\$69,342,000 and net loss of approximately HK\$51,221,000 to the Group's result, during the period from the Date of Acquisition to 30 June 2019.

As a result of the amendment, the Group's net profit was increased by HK\$568,137,000, from HK\$1,322,222,000 to HK\$1,890,359,000. Both the basic and diluted earnings per share were adjusted from HK\$0.759 per share to HK\$1.105 per share, for the six months ended 30 June 2019 accordingly.

28. DISCONTINUED OPERATIONS (continued)

	1 January to 30 June 2019 (As previously reported) HK\$'000	Impact of the reclassification HK\$'000	1 January to 30 June 2019 (Restated) HK\$'000
Income from contract with customers	229,780	62,146	291,926
Income from investments	1,742,544	620,120	2,362,664
Income from other sources	3,785	6,434	10,219
Impairment losses	(66,245)	–	(66,245)
Operating expenses	(512,815)	(72,556)	(585,371)
Finance costs	(516,533)	(47,222)	(563,755)
Others	783,520	–	783,520
Profit before taxation	1,664,036	568,922	2,232,958
Income tax	(341,814)	(785)	(342,599)
Profit for the period	1,322,222	568,137	1,890,359
Profit attributable to equity shareholders of the Company	1,279,079	583,216	1,862,295
Non-controlling interest	43,143	(15,079)	28,064
Profit for the period	1,322,222	568,137	1,890,359
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	250,087	–	250,087
Items that may be reclassified subsequently to profit or loss			
– Share of other comprehensive income and effect of foreign currency translation of associates	(74,261)	–	(74,261)
– Share of other comprehensive income and effect of foreign currency translation of joint ventures	5,376	–	5,376
– Other net movement in exchange reserve	127,684	(89,101)	38,583
Total comprehensive income for the period	1,631,108	479,036	2,110,144
Attributable to			
Equity shareholders of the Company	1,572,204	538,888	2,111,092
Non-controlling interest	58,904	(59,852)	(948)
Total comprehensive income for the period	1,631,108	479,036	2,110,144

29. COMPARATIVE INFORMATION

The comparative figures including turnover, segment information, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows have been restated as a result of the reclassification of Ying Li as at 30 June 2019 in the circumstances of those described in note 28 and the restatement on classification and presentation of cash flow described in note 30.

30. RESTATEMENT OF CLASSIFICATION AND PRESENTATION OF CASH FLOWS

Condensed consolidated statement of cash flows

During the period, management reviewed the accounting policy on its classification in the condensed consolidated statement of cash flows in accordance with HKAS 7 Statements of Cash Flows and considered that a change of presentation of the following items can provide reliable and more relevant information to the readers of the financial statements to understand the operations of the Group and its financial resources needed to support such operations:

(1) Cash flows related to the Group's investment holding business

In prior years, the cash flows related to the Group's investment holding business, such as the purchase/(disposal) of financial assets at fair value through profit or loss, the dividend receipt and the increase/decrease in other financial liabilities related to the third party interest in consolidated funds, were classified as part of the investing cash flows. During the period, management reviewed and considered that the Group's investment/divestment activities are gaining importance to generate sufficient cash flows to repay loans, maintain the operating capability of the Group, pay dividends and make new investments and it also represented the principal revenue-producing activities of the Group that determined the profit or loss. Accordingly, such cash flows were reclassified to operating cash flows.

(2) Cash flows related to the Group's interest payments on loans and borrowings

In prior years, the cash flows related to the Group's interest payments on loans and borrowings were classified as part of the operating cash flows as it determined the profit or loss of the Group. During the period, management reviewed the cash flows and considered that the interest expenses are gaining significance which it represented the costs of obtaining financial resources to support the Group's capital structure. Accordingly, such cash flow was reclassified to financing cash flows.

30. RESTATEMENT OF CLASSIFICATION AND PRESENTATION OF CASH FLOWS (continued)

Condensed consolidated statement of cash flows (continued)

Cash flows items	1 January to 30 June 2020 (Classification as original) HK\$'000	Impact of the reclassification HK\$'000	1 January to 30 June 2020 (Classification as revised) HK\$'000
Operating activities			
Dividend income	(449,079)	83,202	(365,877)
Net realised gain on disposal of financial assets at fair value through profit or loss	(485,086)	485,086	-
Net unrealised loss on financial assets at fair value through profit or loss	39,911	(39,911)	-
Increase in financial assets at fair value through profit or loss	-	(948,238)	(948,238)
Increase in other financial liabilities	-	1,670,223	1,670,223
Interest paid	(361,276)	361,276	-
Other cash flows arising from operating activities	1,412,476	-	1,412,476
Net cash generated from operating activities	156,946	1,611,638	1,768,584
Investing activities			
Purchase of financial assets at fair value through profit or loss	(2,359,551)	2,359,551	-
Proceeds from disposal of financial assets at fair value through profit or loss	2,011,882	(2,011,882)	-
Increase in other financial liabilities	1,514,829	(1,514,829)	-
Dividends received from investments	449,079	(83,202)	365,877
Other cash flows arising from investing activities	865,776	-	865,776
Net cash generated from/(used in) investing activities	2,482,015	(1,250,362)	1,231,653
Financing activities			
Interests paid	-	(361,276)	(361,276)
Other cash flows used in financing activities	(1,029,399)	-	(1,029,399)
Net cash used in financing activities	(1,029,399)	(361,276)	(1,390,675)

NOTES TO THE FINANCIAL REPORT | continued

For the six months ended 30 June 2020

30. RESTATEMENT OF CLASSIFICATION AND PRESENTATION OF CASH FLOWS (continued)

Condensed consolidated statement of cash flows (continued)

Apart from the reclassification of the above items, the revocation of designation as held for sale discussed in note 28 also affected the presentation of the condensed consolidated statement of cash flows. The reconciliation of the impact on the reclassification and revocation of designation as held for sale was shown as follows:

Cash flows items	1 January to 30 June 2019 (As previously reported) HK\$'000	Impact of the reclassification HK\$'000	Impact of the revocation of designation as held for sales HK\$'000	1 January to 30 June 2019 (Restated) HK\$'000
Operating activities				
Profit before taxation	1,664,036	-	568,922	2,232,958
Interest expenses	516,533	-	47,222	563,755
Dividend income	(687,678)	392,505	-	(295,173)
Net realised gain on disposal of financial assets at fair value through profit or loss	(796,924)	796,924	-	-
Net unrealised loss on financial assets at fair value through profit or loss	173,242	(173,242)	-	-
Gain on bargain purchase	-	-	(619,358)	(619,358)
(Increase)/decrease in debtors, deposits and prepayments	(125,939)	(111,893)	1,281,238	1,043,406
Decrease in inventories	-	-	47,931	47,931
Decrease in financial assets at fair value through profit or loss	-	1,787,245	-	1,787,245
Decrease in creditors, deposits received and accrued expenses	(1,055,316)	-	(81,927)	(1,137,243)
Increase in other financial liabilities	-	44,161	-	44,161
Interest paid	(282,833)	282,833	-	-
Other cash flows used in operating activities	(1,045,925)	-	-	(1,045,925)
Net cash (used in)/generated from operating activities	(1,640,804)	3,018,533	1,244,028	2,621,757

30. RESTATEMENT OF CLASSIFICATION AND PRESENTATION OF CASH FLOWS (continued)

Condensed consolidated statement of cash flows (continued)

Cash flows items	1 January to 30 June 2019 (As previously reported) HK\$'000	Impact of the reclassification HK\$'000	Impact of the revocation of designation as held for sales HK\$'000	1 January to 30 June 2019 (Restated) HK\$'000
Investing activities				
Purchase of financial assets at fair value through profit or loss	(2,333,009)	2,333,009	-	-
Proceeds from disposal of financial assets at fair value through profit or loss	4,753,557	(4,753,557)	-	-
Increase in other financial liabilities	34,540	(34,540)	-	-
Increase in restricted cash	-	-	(222,494)	(222,494)
Net cash from acquisition of a subsidiary	-	-	25,155	25,155
Purchase of a disposal group held for sale	(877,829)	-	877,829	-
Dividends received from investments	575,785	(280,612)	-	295,173
Other cash flows arising from investing activities	429,555	-	-	429,555
Net cash generated from/(used in) investing activities	2,582,599	(2,735,700)	680,490	527,389
Financing activities				
Net proceeds from/(repayment of) bank loans	488,028	-	(648,694)	(160,666)
Proceeds from issue of bonds payable	-	-	196,190	196,190
Interests paid	-	(282,833)	(47,222)	(330,055)
Redemption of non-controlling shareholders' shares	(91,277)	-	(272,024)	(363,301)
Other cash flows used in financing activities	(644,990)	-	-	(644,990)
Net cash used in financing activities	(248,239)	(282,833)	(771,750)	(1,302,822)

INDEPENDENT REVIEW REPORT



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

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 58, which comprises the condensed consolidated statement of financial position of China Everbright Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the related condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

27 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

CEL is a leading cross-border asset management and investment company in China, and a company listed in Hong Kong with alternative asset management as the core business. China Everbright Group Ltd. (“Everbright Group”) is the largest shareholder of the Group, holding 49.74% of the shares of CEL.

CEL is committed to become the “world’s leading cross-border asset management company”, with fund management and principal investment as its key operating businesses. Apart from its efforts in developing its Fund Management Business, the Group also provides capitals necessary for project fostering and fund development through Principal Investments Business to coordinate progression and sustain development.

For Fund Management Business, as at 30 June 2020, the total assets under management (AUM)¹ of CEL was approximately HK\$157.2 billion, with 74 funds under management. CEL nurtured multiple enterprises with high growth potential with its investors through managing numerous Primary Market Funds, Secondary Market Investment Portfolios and Funds-of-Funds. Based on the economic development of China, it also introduces the advantages from overseas technologies into the Chinese market, providing multifaceted financial services to Chinese and overseas investors.

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

BUSINESS OVERVIEW (continued)

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



² Among these, EBA Investments is the real estate industry platform under the fund management business.

REVIEW AND ANALYSIS

Macro-economic and Industry Review

In the first half of 2020, due to the combined effects of the COVID-19 pandemic, economic volatilities, geopolitics and other factors, overseas capital markets were highly volatile. In the first quarter, the S&P 500 Index plummeted by over 30% in merely 22 trading days, while bonds have seen a simultaneous sell-off, with the VIX Index hitting a record high; in the second quarter, major stock indices strongly rebounded as the Federal Reserve System (Fed) initiated the “unlimited quantitative easing” programme, but the global economic trend remained pessimistic. On 24 June, the International Monetary Fund (IMF) published its latest issue of the “Global Economic Outlook Report”, expecting a shrink of 4.9% in the global economy throughout the year, representing a downward adjustment of 1.9 ppt as compared with its April forecast. According to the forecast of the report, GDP in the US will fall by 8.0%, and the aggregate economic value may fall below US\$20 trillion; GDP in the Eurozone will drop by 10.2%, which is the biggest drop among the world’s major economies; GDP in Japan will decrease by 5.8%; and China may achieve a growth of 1%, being the only country among the world’s major economies that achieves positive growth.

Under the influence of, among other factors, the macro environment and policy changes, China’s private equity industry has experienced a higher volatility during the reporting period. According to the analysis in the “China VC/PE Market Review H1’ 2020” issued by Zero2IPO Research Center on 6 August 2020: First, fundraising remains difficult: during the reporting period, the total amount of funds raised in China’s equity market was RMB431.8 billion, representing a year-on-year decline of 29.5%. Second, investment approach remains prudent: the number of cases of equity market investment in the first half of 2020 was 2,865, representing a year-on-year decline of 32.8%. Third, the pace of divestment slowed down: during the reporting period, 1,145 divestments were recorded in the China’s equity market, representing a decrease of 6.9% as compared with that of the corresponding period last year. Fourth, the Matthew effect is significant within the industry: Pursuant to the “China VCPE Market Data Report 1H 2020” published by China Venture Information in July 2020, the average value per transaction of China’s private equity market in the first half of 2020 was at a record high in the last decade of US\$32.10 million, representing an increase of 56% as compared with that of the last half year. Due to the overwhelming dominance of leading institutions in the private equity industry, the room for small institutions to survive has been further extruded.

REVIEW AND ANALYSIS *(continued)*

Business Review Highlights for the first half of 2020

In the first half of 2020, the sudden outbreak of COVID-19 pandemic has had a significant and far-reaching impact on economic and social development worldwide. The pandemic has led to a significant reduction in global cross-border investment, trade in goods, and personnel exchanges. The increasing risk of global supply chain disruption, short-term shock in capital markets and bulk commodities prices, together with the intensifying exchange rate fluctuations, resulted in a surge of financial risks. According to forecasts by the IMF and the World Bank, developed countries may face the most severe recession since World War II, while emerging market countries may face the worst economic slowdown in the past 60 years.

REVIEW AND ANALYSIS (continued)

Business Review Highlights for the first half of 2020 (continued)

Due to the unprecedented pandemic, the cross-border asset management industry has faced its biggest challenge ever, and the business development of CEL has also suffered the most severe impact over its years of operation. During the reporting period, the Group's profit was impacted and affected by the following factors: **First, the worldwide spread of the pandemic has adversely affected the normal operation of certain overseas projects of the Group.** Although the pandemic in China is under control, the global pandemic has not yet seen a clear turning point. As reflected in this report, facing the challenges under the pandemic, some of CEL's overseas projects (such as the US and Europe) have suffered. **Second, the extreme volatility of overseas capital markets has adversely affected certain investment products of the Group.** With the effects of the plunging overseas capital market in the first quarter, the profitability of CEL's overseas secondary market bond products declined. **Third, global investment and financing activities have significantly slowed down due to the pandemic.** The average transaction multiples and valuation backbones of some industries are under pressure, which has transferred to the valuations of unlisted companies in the primary market, thus indirectly affecting the valuation of some of the Group's investment projects. Under the combined effect of such factors, despite the profit attributable to the shareholders of the Company during the reporting period have exceeded the expectations of the Group under the pessimistic scenario, there was nonetheless a decline as compared with that of the same period last year. During the reporting period, the profit attributable to shareholders of the Company was HK\$765 million, representing a decrease of 59% (after restatement) and 40%³ (before restatement) from the same period last year.

³ The restatement of total income in the first half of 2019 was due to a change of Business Decision that ceased the classification of the Group's interest in Ying Li International Real Estate Limited ("Ying Li International") as a disposal group held for sale in late 2019. Under HKFRS 5, the effect of such a revocation of held for sale designation has resulted in amendment of the Group's results for the six months ended 30 June 2019, which Ying Li International was consolidated as a subsidiary of the Group since its date of acquisition. For a comparison before and after restatement of the interim financial statements of the previous year, and details of the acquisition of Ying Li International, please refer to Note 28 of the Notes to the Financial Statements of this report.

REVIEW AND ANALYSIS (continued)

Business Review Highlights for the first half of 2020 (continued)

The earnings of the Group has dropped amid the effects and extreme impact of the unprecedented pandemic during the reporting period. However, benefiting from clear strategy, proactive transformation and early preparation, the Group demonstrated a high resilience in various aspects of operation management, showing a rebound in many areas. This is reflected in the following: First, during the reporting period, CEL's funds achieved a slight increase in fundraising, seeing the fruit of its effort in transforming into an asset management company. Second, CEL has better offset the impact of the pandemic as well as economic, geopolitical and other unfavourable factors to its balance sheet, where its total asset value has only decreased by 1.3% (as at 30 June 2020, the total asset value of CEL was HK\$85.4 billion, as compared with HK\$86.5 billion as at the end of 2019). Third, CEL's funds and investment projects are relatively focused in mainland China, where the pandemic is better managed and controlled. Following the recovery of the capital market since July, the valuation of certain projects has begun to recover, reflecting high sustainability in their development.

In the first half of 2020, CEL actively leveraged its leading position in the private equity industry, and strictly adhered to its strategy of "striving to create synergies and to enhance fundraising; investing with caution and acute judgement; focusing on post-investment management and strengthening its support; and examining the situation carefully and divesting in an orderly manner". Under fund management business, **in terms of fundraising**, CEL successfully initiated the establishment of a Belt & Road Green Fund along the Belt and Road initiative; focusing on the area of "people's livelihood", the mezzanine fund team successfully completed the first closure of a new phase of the mezzanine fund - the Mezzanine Fund III. **In terms of investment**, CEL maintains a prudent approach, striving for a balance between investments and divestments. Our primary market funds invested and/or further invested in 25 projects, involving investments of approximately HK\$1.504 billion, of which 93.1% (in terms of amount) of projects are in the fields of new economy, new infrastructure, people's livelihood and universal healthcare. **In terms of management**, CEL has paid more attention to the post-investment enabling of the investee companies, with an aim to tide over difficulties and grow together with the investee companies. During the pandemic, it also strengthened the management of funds under management and investee companies, and reviewed the risks of 193 post-investment projects on a regular basis. **In terms of exit**, CEL disposed of mature projects at the right time to capture returns, with a total of 22 exited/partially exited projects, and realised cash inflow of approximately HK\$1.813 billion. Meanwhile, several projects invested by CEL's funds (e.g. Three's Company Media, etc.) were successfully listed, such that the project reserve has further increased.

REVIEW AND ANALYSIS (continued)

Business Review Highlights for the first half of 2020 (continued)

Over the same period, the **Principal Investments Business** of CEL maintained a steady growth, and the strategic industry platforms developed stably. During the reporting period, the Principal Investments Business invested and/or further invested in 7 projects, with a total size of HK\$749 million; and fully or partially exited a total of 14 projects, realising cash inflow of approximately HK\$1.84 billion.

In the first half of 2020, the business development highlights of CEL are as follows:

1. **Growth of fundraising amid adversity:** during the reporting period, CEL realised new AUM of HK\$9.554 billion, including the Belt & Road Green Fund and Domestic Mezzanine Fund III.
2. **Stable progression of AUM:** leveraging the advantages of years of experience in the fund management industry, the AUM of the Group increased to HK\$157.2 billion. On a constant currency basis⁴, the AUM increased by HK\$3.7 billion, as compared with the end of 2019.
3. **Record high overseas AUM:** as at 30 June 2020, the AUM of Non-RMB denominated funds under the fund management business of CEL reached an amount equivalent to HK\$45.4 billion, accounting for 29% of AUM, representing an increase of 3 ppt as compared with that of the end of 2019.
4. **Stable decrease of interest-bearing debt:** as at 30 June 2020, the interest-bearing debt of CEL decreased to HK\$30.1 billion from HK\$31 billion as at the end of 2019.

⁴ Constant currency basis: The comparative figure of the previous period is calculated by applying the exchange rates as at the end of the current period in converting its components from their local currencies to Hong Kong dollars. Constant currency basis is a measure used by the management of the Group in reviewing the business performance under the same exchange rates. It may not be comparable to similar measures presented by other companies.

REVIEW AND ANALYSIS (continued)

Business Review Highlights for the first half of 2020 (continued)

5. **Sound development of Strategic Industry Platforms:** CALC survived the impact of the pandemic towards the aviation industry, and recorded a profit of HK\$319 million, representing a year-on-year increase of 2%; upon the consolidation of Everbright Senior Healthcare, it earned the market leading position in terms of number of beds, realising an income of RMB159 million during the reporting period, representing a year-on-year increase of 116%; Terminus leveraged the advantage of the smart city initiative, which accelerated its internationalisation progress, and realised an income of RMB450 million during the reporting period, representing a year-on-year growth of 325%.
6. **Outstanding performance of major investment projects in the “three-universal and one-innovative” areas (universal environmental protection, universal tourism, universal healthcare and innovative technology):** CEL’s main focuses, being education, healthcare and technology segments, achieved outstanding performance. The 3 major projects, including Hope Education, LifeTech Scientific and Yusys Technologies, achieved good performance in the capital market.
7. **Significant reduction of operating cost:** by cooperating in cutting costs to fight the pandemic, the operating costs of CEL in the first half of the year reduced by 17%.
8. **Effective prevention and control of the pandemic:** during the pandemic, CEL strengthened its management and control, and took an active approach to prevent the spread of pandemic. Among the employees of the Group, there were no diagnosed or suspected cases, achieving a record of zero infections and zero incidents. Everbright Senior Healthcare strengthened prevention and control in its facilities, and no infection was recorded. Meanwhile, CEL showed empathy to the areas towards the regions at the heart of the pandemic, where a donation of more than RMB6 million was made by the employees of the Group.

FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2020

Revenue

In terms of the nature of income, the income of CEL is mainly derived from (1) income from contracts with customers, mainly including fund management fee, performance fee and consultancy fee; (2) income from investments, mainly including interest and dividend income from investment projects held and capital gains; and (3) share of profits of associates/joint ventures.

The main sources of income of the Group are (1) management fee income, which is related to the AUM and charge rate of the Group's funds; (2) interest income and dividend income, which are mainly derived from the structural investment and financing business under Principal Investments Business of the Group, and the shareholding in China Everbright Bank and certain equity investment projects; and (3) capital gains, which are mainly derived by the Group from the capital gains generated from primary market funds or direct investments in the equity interests of non-listed companies and other financial assets, including net realised revenue from divested projects and valuation movement of non-divested projects, and the realised capital gains in secondary market stocks and bonds transactions through secondary market funds, and unrealised capital gains from mark-to-market investments.

FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2020

(continued)

Revenue (continued)

During the reporting period, the total amount of income⁵ of CEL was HK\$2.013 billion, representing a decrease of 42% (after restatement) and 27% (before restatement) as compared with the same period last year, respectively⁶. The income from contracts with customers declined to HK\$196 million, representing a decrease of 33% from the same period last year, mainly because of (1) paid-in contribution of certain funds newly established in the fourth quarter of 2019 have not been completed due to the COVID-19 pandemic, and management fee base and rate of part of the existing funds had to be lowered as they entered the exit period, resulting in the decrease in management fee income in short term despite the increase in overall AUM; (2) the secondary market bond funds did not generate any performance fees due to market conditions during the reporting period. The total investment income was HK\$1.165 billion, representing a decrease of 51% (after restatement) and 33% (before restatement) as compared with the same period last year, respectively⁷. Types of income with greater decline include: dividend income, which decreased by 35%, mainly due to the decrease in the Group's dividend income from real estate projects in the first half of the year under the impact of the pandemic; capital gains (realised gains or losses), which decreased by 44%, mainly due to the slowdown in exits of the Group's projects and decreased revenue under fluctuations of the capital market.

- ⁵ Total amount of income is calculated as: income from contracts with customers + income from investments + income from other sources + share of profits less losses of associates + share of profits less losses of joint ventures. "Total amount of income" is a measure used by the management of the Group for monitoring business performance and financial position. It may not be comparable to similar measures presented by other companies.
- ⁶ The restatement of total income in the first half of 2019 was due to a change of Business Decision that ceased the classification of the Group's interest in Ying Li International as a disposal group held for sale in late 2019. Under HKFRS 5, the effect of such a revocation of held for sale designation has resulted in amendment of the Group's results for the six months ended 30 June 2019, which Ying Li International was consolidated as a subsidiary of the Group since its date of acquisition. For a comparison before and after restatement of the interim financial statements of the previous year, and details of the acquisition of Ying Li International, please refer to Note 28 of the Notes to the Financial Statements of this report.
- ⁷ The figures of the first half of 2019 were restated, with the addition of gain on bargain purchase of a subsidiary of HK\$619 million from the acquisition of Ying Li International.

FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2020

(continued)

Revenue (continued)

Key income items (in HK\$ hundred million)	2020 1H	2019 1H (restated)	Change
Income from contracts with customers, mainly including:			
– Management fee income	1.96	2.92	(33%)
– Performance fee and consultancy fee	1.28	1.82	(30%)
	0.13	0.47	(72%)
Income from investments, mainly including:	11.65	23.63	(51%)
– Interest income	2.19	2.04	7%
– Dividend income	4.49	6.88	(35%)
– Realised capital gain/(loss)	5.30	9.51	(44%)
– Unrealised capital gain/(loss)	(0.90)	(1.04)	(13%)
– Gain on bargain purchase of a subsidiary	–	6.19	N/A
Income from other sources	0.14	0.10	40%
Share of profits less losses of associates	6.25	7.11	(12%)
Share of profits less losses of joint ventures	0.13	0.72	(82%)
Total amount of income	20.13	34.48	(42%)

FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2020

(continued)

Earned Management Fee Income

For the purposes of resource allocation and business performance evaluation, the management of the Group adopts “Earned Management Fee Income”⁸ as an additional financial measurement index. Earned Management Fee Income refers to the management fee income received by the Group as a fund manager in accordance with relevant fund management agreements. The following table sets out the adjustments between the Earned Management Fee Income recognised by the Group for the current reporting period and the Management Fee Income presented in accordance with the Hong Kong Financial Reporting Standards, which include (a) elimination of management fee income from consolidated funds: the Group acts as both the fund manager and the major limited partner in certain funds, where the management fee paid by the fund and the management fee income received by the fund manager shall be eliminated when consolidating into the Group’s consolidated financial statements; (b) management fee income received by an associate/joint venture: (i) the Group acts as the joint fund manager through the establishment of a joint venture with a third party, and the management fees received by such joint venture shall be presented according to the Group’s share of profits from the joint venture; (ii) Everbright Jiabao, an associate of the Group, holds 51% interest of EBA Investments, which is included in Everbright Jiabao’s scope of consolidation. The Group holds the remaining 49% interest of EBA Investments through another subsidiary and such interest is accounted for as financial assets. The management fee income of EBA Investments is reflected in share of profits of associates of the Group; (c) rebate of management fee income: part of the reported management fee income was rebated from the management fee income.

During the reporting period, management fee income of the Group was HK\$128 million, representing a period-on-period decrease of 30%; the Earned Management Fee Income was HK\$464 million, representing a period-on-period decrease of 4.5% and maintaining stability overall.

⁸ The Earned Management Fee Income is a measure used by the management of the Group for monitoring business performance and financial position. It may not be comparable to similar measures presented by other companies.

FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2020

(continued)

Earned Management Fee Income (continued)

<i>(in HK\$ hundred million)</i>	As presented in the financial report	Elimination of management fee income from consolidated funds (a)	Management fee income received by associates/joint ventures (b)	Rebate of management fee income (c)	Earned Management Fee Income
Primary market	0.96	0.54	1.37	0.34	3.21
Secondary market	0.22	0.12	-	0.09	0.43
Funds-of-Funds	0.10	0.90	-	-	1.00
Management fee income	1.28	1.56	1.37	0.43	4.64

Based on the analysis by business segments, the income from Fund Management Business of the Group during the reporting period amounted to a loss of HK\$319 million, as compared to an income of HK\$1,221 million for the same period last year. Fund Management Business segment is greatly affected by the pandemic; whereas Principal Investments Business was relatively stable, and recorded income of HK\$2,332 million, representing a year-on-year increase of 5%.

<i>(in HK\$ hundred million)</i>	2020 1H	2019 1H (restated)	Change
- Income from Fund Management Business	(3.19)	12.21	N/A
- Income from Principal Investments Business	23.32	22.27	5%
Total amount of income	20.13	34.48	(42%)

FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2020

(continued)

Profit

The profit attributable to shareholders of the Company in the first half of 2020 was HK\$765 million, representing a decrease of 59% (after restatement) as compared with the same period last year. Net profit attributable to parent company of HK\$583 million from the acquisition of Ying Li International was recorded for the first half of 2019 upon the restatement of the figures for that period. The decrease in profit attributable to the shareholders of the Company for the period was mainly due to the combined effects of, among others, the pandemic as well as economic and geopolitical factors. The valuation of certain primary market projects of the Group declined, while the performance of secondary market was affected to a certain extent.

Based on the analysis by business segments, the impact on Fund Management Business was comparatively significant. A loss of HK\$462 million was recorded for the reporting period, which was mainly due to: 1. the decrease in operating income and profit of certain unlisted investment projects, which were affected by the outbreak of COVID-19, leading to a drop in the valuation; 2. the products of secondary market funds were more sensitive to market fluctuation and resulted in a decrease in profit. The profit of Principal Investments Business remained relatively stable at HK\$2.127 billion, where financial investments benefited from the good performance of major shareholdings, contributing a profit of HK\$1,009 million, representing a decrease of 14% (after restatement) and an increase of 71% (before restatement)⁹ as compared with the same period last year.

⁹ The restatement of total income in the first half of 2019 was due to a change of Business Decision that ceased the classification of the Group's interest in Ying Li International as a disposal group held for sale in late 2019. Under HKFRS 5, the effect of such a revocation of held for sale designation has resulted in amendment of the Group's results for the six months ended 30 June 2019, which Ying Li International was consolidated as a subsidiary of the Group since its date of acquisition. For a comparison before and after restatement of the interim financial statements of the previous year, and details of the acquisition of Ying Li International, please refer to Note 28 of the Notes to the Financial Statements of this report.

MANAGEMENT DISCUSSION AND ANALYSIS | continued

FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2020

(continued)

Profit (continued)

Profit in Key Business Segments (in HK\$ hundred million)	2020 1H	2019 1H (restated)	Change
Profit from Fund Management Business	(4.62)	9.06	N/A
Profit from Principal Investments Business:	21.27	20.46	4%
– Strategic industry platform (CALC, Everbright Senior Healthcare, Terminus)	2.46	1.80	37%
– Financial investments	10.09	11.75	(14%)
– Cornerstone investments (equity interests in China Everbright Bank and Everbright Securities)	8.72	6.91	26%
Less: Unallocated corporate expenses and taxes	(9.00)	(10.90)	(17%)
Profit attributable to shareholders of the Company	7.65	18.62	(59%)

The Board declared an interim dividend of HK\$0.14 per share for 2020 (HK\$0.25 per share for the same period last year). The dividend payout ratio was 30.8%, representing an increase of 8.2 ppt as compared to that of 22.6% (restated) for the interim period last year.

Per Share (HK\$)	2020 1H	2019 1H (restated)	Change
Earnings per share	0.45	1.11	(59%)
Interim dividend per share	0.14	0.25	(44%)

FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2020

(continued)

Key Financial Ratios

During the reporting period, the operating costs of CEL were HK\$487 million, with an operating cost-to-income ratio of 24.2%, representing a decrease of 0.3 ppt from last year. As of the first half of 2020, the interest-bearing debt of CEL decreased to HK\$30.1 billion from HK\$31.0 billion at the end of 2019, with the gearing ratio of 72.5% and debt-to-asset ratio of 51.4%. The current ratio of the Group increased by 29 ppt from 111% of 2019 to 140% for the first half of 2020, maintaining sound liquidity.

Key Financial Data ¹⁰	2020 1H	2019 year-end	Change
Operating cost-to-income ratio ¹¹	24.2%	24.5%	-0.3 ppt
Gearing ratio ¹²	72.5%	70.7%	+1.8 ppt
Debt-to-asset ratio ¹³	51.4%	49.4%	+2.0 ppt
Current ratio ¹⁴	140%	111%	+29 ppt

¹⁰ Operating cost-to-income ratio, gearing ratio and current ratio are the measures used by the management of the Group for monitoring business performance and financial position. These may not be comparable to similar measures presented by other companies.

¹¹ Operating cost-to-income ratio is calculated as (staff costs + depreciation and amortisation expenses + other operating expenses)/total amount of income.

¹² The gearing ratio is calculated as interest-bearing debt (including bank loans + notes payable + bonds payable)/total equity.

¹³ The debt-to-asset ratio is calculated as total liabilities/total assets.

¹⁴ The current ratio is calculated as current assets/current liabilities.

BUSINESS PERFORMANCE ANALYSIS IN THE FIRST HALF OF 2020

Fund Management Business

In the first half of 2020, leveraging its extensive development experience and its customer base in the fund management industry established over years, CEL was able to maintain the stability of the overall AUM, and further improved the products allocation amid the relatively challenging external environment. Our primary market funds successfully established the Everbright Belt & Road Green Fund, and created a Chinese “Belt & Road” and ESG (environmental, social and governance) investment flagship brand; the mezzanine fund team has earned the trust of insurance investors with sound fund management experience and outstanding investment performance, and completed the establishment of the Mezzanine Fund III and the feeder fund; and funds-of-funds further promoted the collaborations by solidifying the relationship with investors. For the six months to 30 June 2020, the newly raised AUM of CEL was HK\$9.554 billion.

Newly-raised fund/ Newly-established fund (in hundred million)	Currency	Original currency	HK\$	Completion (Year-Month)
Primary market funds				
– Everbright Belt & Road Green Fund	RMB	15.15	16.47	2020-04
– Domestic Mezzanine Fund III	RMB	12.63	13.73	2020-06
– Hunan Maixin Fund (Mezzanine Fund Feeder Fund)	RMB	11.01	11.97	2020-05
– CEL Global Real Estate Fund	US\$	5.59	43.37	2020-06
Secondary market				
– Glory Star Investment Advisory Account	HK\$	10.00	10.00	2020-06
Total			95.54	

BUSINESS PERFORMANCE ANALYSIS IN THE FIRST HALF OF 2020 (continued)

Fund Management Business (continued)

Currently, the fund investors of CEL are primarily institutional investors, including commercial banks, insurance companies, family offices and government agencies, of which funds from external investors and CEL's seed capital accounted for 78% and 22% of the AUM, respectively. Funds denominated in RMB and Non-RMB were equivalent to approximately HK\$111.8 billion and HK\$45.4 billion, accounting for 71% and 29% of the funds, respectively.

As at 30 June 2020, the Group managed a total of 39 fund products covering 151 projects under primary market funds, with an aggregate AUM of approximately HK\$111.7 billion; 28 secondary market investment portfolios with an aggregate AUM of approximately HK\$23.1 billion; and 7 FoF products with a size of approximately HK\$22.4 billion. In the product lines of primary market and FoFs, there were 12 equities listed on various stock exchanges around the globe with a market value of approximately HK\$7.79 billion.

During the reporting period, CEL's Fund Management Business exited fully or partially from 22 projects, realising cash inflows of approximately HK\$1.813 billion. Among the disposed projects, 4 projects with an amount of approximately HK\$920 million, representing 50.8% of the total amount of exits, were divested through IPO, whereas exits by equity transfer and other methods amounted to HK\$449 million and HK\$444 million, accounting for 24.7% and 24.5%, respectively. Projects exited by listings include:

Name of funds	Investee	Listing place and code
Walden CEL Global Fund I	ACM Research	ACMR (US)
Everbright-IDG Industrial Fund	NIO	NIO (US)
Everbright Jiangyin Asset Investment Fund and Wuxi Ronghong Guolian Fund	Yida	300721 (Shenzhen)
China Special Opportunities Fund III (CSOF III)	Yusys Technologies	300674 (Shenzhen)

BUSINESS PERFORMANCE ANALYSIS IN THE FIRST HALF OF 2020 (continued)

Fund Management Business (continued)

Primary Market Funds

With the diversified fund structures, capabilities on the full value chain and cross-border deployment, CEL has strengthened its position as a leading alternative asset manager in primary market in China. As of the end of June 2020, 39 fund products were under the management of CEL's Primary Market Funds, with aggregate AUM of approximately HK\$111.7 billion. During the reporting period, 4 new products were launched under primary market, with aggregate AUM of approximately HK\$8.554 billion.

Name of funds	Time of establishment (Year-Month)	Currency	Amount in original currency (in hundred million)	Amount in HK\$ (in hundred million)
Focusing on the new economy and dedicated funds				
Everbright-IDG Industrial Fund (IDG-Everbright M&A Investment Fund)	2016-05	RMB	101.14	109.95
Harmonious Core Fund	2016-06	RMB	13.92	15.13
Harmonious Bright Core Fund	2016-07	RMB	15.01	16.32
Zhongying Capital	2016-08	RMB	16.30	17.72
Smart Entertainment Industry Investment Fund	2016-12	RMB	3.60	3.91
Everbright-IDG Qianxing Investment Fund	2017-06	RMB	0.97	1.05
Everbright-IDG Hongsheng Investment Fund	2017-06	RMB	5.01	5.45
New Economy USD Fund	2018-05	US\$	4.83	37.45
Focusing on artificial intelligence and advanced manufacturing				
CEL Harmonious Fund	2015-12	RMB	0.50	0.54
CEL Intelligent Manufacturing Equity Investment Fund	2017-03	RMB	5.20	5.65

BUSINESS PERFORMANCE ANALYSIS IN THE FIRST HALF OF 2020 (continued)

Fund Management Business (continued)

Primary Market Funds (continued)

Name of funds	Time of establishment <i>(Year-Month)</i>	Currency	Amount in original currency <i>(in hundred million)</i>	Amount in HK\$ <i>(in hundred million)</i>
Focusing on artificial intelligence and advanced manufacturing (continued)				
Nantong CEL Semiconductor Industry Investment Fund	2018-12	RMB	5.00	5.44
Nantong CEL Intelligent Manufacturing Fund	2019-09	RMB	5.00	5.44
EBT Investment Fund	2019-12	RMB	10.00	10.87
CEL New Economy Industry Investment Fund	2019-12	RMB	15.12	16.44
Walden CEL Global Fund I	2018-04	US\$	1.88	14.58
Focusing on green investment				
Beijing Zhongguancun Industry Investment Fund	2007-12	RMB	1.60	1.74
Everbright Jiangyin Asset Investment Fund	2009-07	RMB	0.91	0.99
Wuxi Ronghong Guolian Fund	2009-11	RMB	0.65	0.71
CEL Qingdao New Energy (Low Carbon) Fund	2013-03	RMB	6.50	7.07
Everbright Belt & Road Green Fund	2020-04	RMB	15.15	16.47
Medical care and senior healthcare				
Medical and Healthcare Fund I	2012-10	RMB	2.00	2.17
Medical and Healthcare Fund II	2015-03	RMB	12.05	13.10
Medical and Healthcare Fund III	2018-10	RMB	12.60	13.70
CEL Haimen Senior Healthcare Industry Investment Fund	2017-08	RMB	4.42	4.80

MANAGEMENT DISCUSSION AND ANALYSIS | continued

BUSINESS PERFORMANCE ANALYSIS IN THE FIRST HALF OF 2020 (continued)

Fund Management Business (continued)

Primary Market Funds (continued)

Name of funds	Time of establishment (Year-Month)	Currency	Amount in original currency (in hundred million)	Amount in HK\$ (in hundred million)
Overseas acquisitions and infrastructure				
CEL Catalyst China Israel Fund	2014-03	US\$	1.51	11.71
CEL Global Investment Fund	2016-04	US\$	5.39	41.79
Everbright Overseas Infrastructure Investments Fund	2017-06	US\$	4.60	35.63
Real estate				
EBA Real Estate	2009-01	RMB	457.64	497.50
CEL Global Real Estate Fund	2020-06	US\$	5.59	43.37
Aircraft industry chain				
Aircraft Recycling Global Fund	2019-12	US\$	3.50	27.13
Mezzanine funds and others				
Domestic Mezzanine Fund I	2012-07	RMB	6.78	7.37
Domestic Mezzanine Fund II	2016-12	RMB	12.25	13.32
Domestic Mezzanine Fund III	2020-06	RMB	12.63	13.73
Hunan Maixin Fund (Mezzanine III Feeder Fund)	2020-05	RMB	11.01	11.97
Zhuhai Maiwen Fund	2017-05	RMB	6.00	6.52
China Special Opportunities Fund II (CSOF II)	2007-01	US\$	1.00	7.75
China Special Opportunities Fund III (CSOF III)	2010-01	US\$	3.94	30.55
Shandong Hi-Speed CEL Industry Fund	2014-04	RMB	18.18	19.76
CEL Zhengzhou Fund	2016-08	RMB	20.00	21.74

BUSINESS PERFORMANCE ANALYSIS IN THE FIRST HALF OF 2020 (continued)

Fund Management Business (continued)

Real Estate Private Equity Fund Management Platform

Among all the Group's primary market funds, EBA Real Estate under Everbright Jiabao has the largest size. Its management team EBA Investments, being a leader in the real estate fund management and asset management industry in China, adheres to the active management model for value creation. EBA Investments focuses on investing in possessing property and developing and upgrading relevant properties as a manager or by way of brand output in order to generate strong and stable cash flow, thereby creating return for investors. At present, CEL holds 51% interest of EBA Investments through Everbright Jiabao, which is owned as to 29.17% by CEL as the largest shareholder, and holds the remaining 49% interest of EBA Investments through another subsidiary. As of 30 June 2020, the AUM of EBA Real Estate reached RMB45.764 billion, with 42 projects under management.

During the reporting period, the outbreak of COVID-19 imposed a systemic effect on the macroeconomics of China in the short term. Therefore, EBA Investments was affected to a certain degree in terms of development and operation of real estate fund under management. EBA Investments team has strictly implemented the government's pandemic prevention and control measures. Upon the gradual ease of pandemics, various methods to optimise the management level of each of the existing business processes, namely "Fundraising, Investment, Management and Exit", have been taken to enhance the operational performance of projects under management. During the reporting period, EBA Investments continued to place emphasis on improving its asset management capabilities and further expanded its business deployment of "IMIX Park". As at 30 June 2020, 19 commercial projects were under EBA Investments, management and construction under the brands of "IMIX Park" and "IMIX+" in a number of tier-1 or tier-2 core cities such as Shanghai, Beijing, Chongqing, Xian, Qingdao, with a total area of approximately over 2 million sq.m.

BUSINESS PERFORMANCE ANALYSIS IN THE FIRST HALF OF 2020 (continued)

Fund Management Business (continued)

Secondary Market Funds

During the reporting period, the Group recorded a decline in profit in equity products and debt products of secondary market funds due to the combined effect of pandemics as well as economic and geopolitical factors. As at the end of June 2020, CEL's secondary market team managed 28 funds and accounts with an aggregate AUM of approximately HK\$23.1 billion.

At present, the secondary market team has built a diversified one-stop product platform with years of cross-border experience. The product lines cover Asian credit bond hedge funds, Asian convertible bond hedge funds, overseas Greater China equity hedge funds, domestic A+H share long-only strategies (including PE funds and institutional outsourcing), PIPE funds and investment advisory business. In terms of product categories, fixed income products, equity products, PIPE products and New Third Board (NEEQ) market funds accounted for 76%, 15%, 8% and 1% of the total amount respectively.

In respect of fixed income products, secondary market funds have diversified product lines covering overseas funds, QDII management accounts, overseas management accounts and asset securitisation products. In respect of debt products, CEL recorded a fall in profit in debt products in overseas secondary markets due to a plummet in overseas capital markets during the first quarter of the year, and therefore no performance fee was recorded during the period. Everbright China Focus Fund, a Greater China long-only absolute return fund and the flagship product within the equity category, had reached a fund size of nearly US\$100 million. During the period, it achieved a net of fees return of 9.39%. In comparison, the Hang Seng Index and Hang Seng China Enterprises Index fell by 13.35% and 12.62% respectively over the same period. During the reporting period, the fund was awarded the "Best Chinese Hedge Fund (3 Years)" by Insights.

During the reporting period, the secondary market team took proactive action and made great efforts in coordinating with fellow companies within Everbright Group. During the period, the fund served as an investment adviser to manage a public bond fund "Everbright Income Focus Fund" for Everbright Sun Hung Kai in Hong Kong, and launched its flagship product "Everbright Dynamic Bond Fund" with Everbright Sun Hung Kai. Both funds are in smooth operation.

BUSINESS PERFORMANCE ANALYSIS IN THE FIRST HALF OF 2020 (continued)

Fund Management Business (continued)

Fund-of-Funds (FoFs)

CEL's FoFs invested in funds launched and managed by CEL (such as Domestic Mezzanine Fund II, Nantong CEL Intelligent Manufacturing Fund) and also in external sub-funds and projects with proven track records and sound governance (such as Hillhouse RMB Fund, Matrix Partners Growth Fund II, Xiaomi Industry Fund, Lilly Asia Ventures Fund, Biosan, China Diagnostic Medical Corporation and Panda Medical). As of the end of June 2020, FoFs' aggregate AUM was over RMB20.6 billion.

Name of funds	Time of establishment (Year-Month)	Currency	Amount in original currency (in hundred million)
Multi-strategy Alternative Investment Fund	2015-12	RMB	50.01
CEL-CMB Multi-strategy Equity Investment Fund-of-Funds	2017-03	RMB	50
CEL Hunan Fund-of-Funds	2018-08	RMB	51
CEL Jiangsu Liyang Fund-of-Funds	2018-11	RMB	20
Taizhou CEL Big Health Industry Fund	2019-11	RMB	10
Guangzhou CEL Guangzhou-Hong Kong-Macao Youth Venture Fund-of-Funds	2019-12	RMB	10
CEL Suzhou Fund-of-Funds	2019-12	RMB	15
Total			206.01

BUSINESS PERFORMANCE ANALYSIS IN THE FIRST HALF OF 2020 (continued)

Fund Management Business (continued)

Fund-of-Funds (FoFs) (continued)

In the first half of 2020, under the panic from the pandemic and the relatively tight liquidity, CEL's FoFs team continued to proactively conduct fundraising events for various local governments, financial platforms and industrial institutions under the strategic direction of the Group "Strengthening Regional Economic Cooperation with Local Governments and Institutions, Contributing to Local Economic Transformation and Upgrading". In March, "Guangzhou CEL Guangzhou-Hong Kong-Macao Youth Venture Fund-of-Funds", which focuses on 4 major fields comprising new-generation information technology, medical and healthcare, consumption and cultural education and advanced manufacturing, was paid in full with the initial size of RMB1 billion. In June, CEL collaborated with several Suzhou financial platforms and established "Integrated Demonstration Area of the Yangtze River CEL Wujiang Innovation Fund", where the initial capital contribution was made.

Principal Investments Business

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

As of the end of June 2020, the Principal Investments Business managed 57 post-investment projects with an aggregate amount of approximately HK\$37.3 billion. Among these, the total carrying amount of equity interest in CALC, Everbright Senior Healthcare and Terminus held by CEL was approximately HK\$4.4 billion; the fair value of financial investments was approximately HK\$15.2 billion; the fair value of the cornerstone investments in China Everbright Bank was HK\$6.2 billion, and the carrying amount of Everbright Securities accounted for as an associate was HK\$11.5 billion.

BUSINESS PERFORMANCE ANALYSIS IN THE FIRST HALF OF 2020 (continued)

Principal Investments Business (continued)

Principal investment (in HK\$ hundred million)	End of June 2020	2019 year-end
– Strategic Industry Platforms	44	45
– Financial Investments	152	157
– Cornerstone Investments	177	190
Total	373	392

Strategic Industry Platforms

Aircraft Leasing

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

As at 30 June 2020, CALC owned a total of 137 aircrafts, including 114 company-owned aircrafts and 23 aircrafts under management. During the reporting period, CALC delivered 7 aircrafts, and completed the disposal of 4 aircrafts, with a utilization rate of assets of over 99% and profit of HK\$319 million for the period, representing a year-on-year increase of 2%. This is mainly attributable to the following characteristics of CALC: Firstly, in terms of aircraft type, 94% of aircrafts in CALC's fleets are narrow-bodied aircrafts, which are mainly used in domestic and short-haul flights that are relatively less-impacted by the pandemic. Secondly, in terms of aircraft age, CALC possesses one of the youngest and most modernised fleets in the industry, with an average age of 5.1 years and a remaining lease period of 8.1 years on average. Young fleet of aircrafts are conducive to extending the tenancy agreements due this year, and lessening its pressure on finding new customers on aircraft assets under such unstable market. Thirdly, in terms of customers, customers from China, of which most are state-owned airlines, accounted for approximately 80% of CALC's customers of company-owned aircrafts. Due to good recovery from the pandemic, domestic flight demands are still strong. CALC are therefore relatively less impacted from the disruption of international transportation.

BUSINESS PERFORMANCE ANALYSIS IN THE FIRST HALF OF 2020 (continued)

Principal Investments Business (continued)

Strategic Industry Platforms (continued)

Everbright Senior Healthcare

Under the COVID-19 outbreak in early 2020, Everbright Senior Healthcare adhered to the strategy of preventing disease and exploring development, and achieved steady progression in safe production and operation. For business development, Everbright Senior Healthcare takes institutional elderly services as the backbone, rehabilitation and nursing as the core of service, community, in-home and foreign senior healthcare services as the complementation, smart technology as the aid and Health Industry Funds as the driver, in a bid to establish an elderly healthcare service group. Everbright Senior Healthcare has already carried out deployment in 10 provinces including Beijing, Shanghai, Jiangsu and 30 major cities such as Ningbo and Wuxi, and is managing over 80 elderly centres with over 23,000 beds. By providing elderly healthcare services such as institutional, community, in-home and foreign healthcare services, Everbright Senior Healthcare has already served approximately 250,000 elderlies.

Artificial Internet of Things ("AIoT")

With the core application technology "Artificial Intelligence + Internet of Things", Terminus has become the fastest growing AIoT corporate in China, as well as one of the biggest city-class AIoT platforms in China. With the core AIoT application technology, Terminus provides intelligent public and high-tech services in integrated management and other aspects for local governments and corporate clients in China, and offers market-leading intelligent solutions in community zones, energy and electricity, retails and exhibitions, among others. In 2020, AI CITY, the pioneering AIoT 3.0 product launched by Terminus, has become the new generation of standardised, sustainable and replicable city-level solution, promoting the development of global intelligent city into a new stage. In April, construction of the first AI CITY project "Everbright Artificial Intelligence Industrial Base" was kicked off in Chongqing, with an aim of building the "new infrastructures" model.

BUSINESS PERFORMANCE ANALYSIS IN THE FIRST HALF OF 2020 (continued)

Principal Investments Business (continued)

Strategic Industry Platforms (continued)

Artificial Internet of Things (“AIoT”) (continued)

In July 2020, Expo Dubai officially announced its premium partnership with Terminus, the only Chinese corporate among the 12 premium partners in the world. During the Expo, Terminus will provide integrated services for the Expo by employing technologies such as Multimodal Interacting, 5G, AI mapping and object detection. The collaboration and the execution of the internationalised strategy in the Middle East area signify a substantial achievement of the development of the Everbright Group and reflect CEL’s crucial action on serving the construction of the Belt and Road.

Financial Investments

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

As of the end of June 2020, CEL’s financial investments amounted to HK\$15.2 billion, with the aggregate valuation of top 10 projects amounting to HK\$9.7 billion. During the reporting period, there were 13 financial investment projects fully or partially disposed, bringing cash inflows of approximately HK\$1.14 billion.

Cornerstone Investments (Significant Investments)

As at 30 June 2020, the carrying amount of certain equity interests in Everbright Securities and China Everbright Bank held by the Group each accounted for more than 5% of the Group’s total assets and the two investments were regarded as significant investments for the Group. These two investments held by the Group accounted for in aggregate 43% and 21% of the Group’s net assets and total assets respectively.

BUSINESS PERFORMANCE ANALYSIS IN THE FIRST HALF OF 2020 (continued)

Principal Investments Business (continued)

Cornerstone Investments (Significant Investments) (continued)

Everbright Securities (601788.SH)

Established in 1996 with its headquarter in Shanghai, Everbright Securities was one of the first 3 innovative pilot securities firms approved by China Securities Regulatory Commission. As at 30 June 2020, the Group held 982 million A shares in Everbright Securities, representing 21.30% of its total share capital, with an investment cost of HK\$1,538 million. Everbright Securities is accounted for as an associate of the Group. The carrying amount of the shares held by the Group was HK11.5 billion, accounting for 28% and 14% of the Group's net assets and total assets respectively. Based on the closing price of RMB16.06 per share as at 30 June 2020, the fair value of the shares in Everbright Securities held by the Group was HK\$17.1 billion.

In the first half of 2020, Everbright Securities seized market opportunities and adhered to value investment with active management and committed to serving the real economy, and the revenue in securities investment, asset management and investment banking business achieved a substantial growth. During the reporting period, the Group's share of profit from Everbright Securities was HK\$506 million, representing a year-on-year increase of 28%.

China Everbright Bank (601818.SH)

Established in August 1992 with its headquarter in Beijing, China Everbright Bank is a national joint-stock commercial bank approved by the State Council and the People's Bank of China. As at 30 June 2020, the Group held 1.57 billion A shares in China Everbright Bank, representing 3.00% of the total share capital of China Everbright Bank, with an investment cost of HK\$1,407 million. China Everbright Bank is accounted for as equity investments designated at fair value through other comprehensive income of the Group. Based on the closing price of RMB3.58 per share as at 30 June 2020, the carrying amount and fair value of the shares in China Everbright Bank held by the Group was HK\$6.2 billion, accounting for 15% and 7% of the Group's net assets and total assets respectively.

In the first half of 2020, with the development of the E-SBU (Ecosphere Strategic Business Unit) ecosystem, China Everbright Bank continued to promote its strategy of "becoming a first-class wealth management bank". It was ranked No. 35 in the "Top 100 World Banks" by The Banker, a U.K. magazine in 2020, rising by 4 ranks compared to the previous year. During the reporting period, the Group received dividend payments of HK\$366 million from China Everbright Bank, increased by 24% as compared with the same period last year.

OUTLOOK

Looking ahead to the second half of 2020, it is expected the situation and environment of the global economy will remain complex. **Firstly, business environment:** Due to the unceasing tensions on global geopolitical environments, business environment is still full of challenges. **Secondly, pandemic:** Although the pandemic in China is essentially under control, the global pandemic has not yet seen a clear turning point. The resulting impacts on the economy might be long-lasting, and might constrain industry development. **Thirdly, economic environment:** In light of the pandemic, many countries have implemented rather loose monetary policies. The global economy is expected to recover gradually from the twist and turns, in which China, where the pandemic is more efficiently controlled, might recover at a quicker pace.

Global economic situation and environment affect the private equity industry in two areas: On one side, low interest rate environment is relatively favourable for equity investment, where new areas of investment, industries and sectors are being developed at a higher speed; on the other side, with the background of overall economic downturn and industrial structural adjustment, areas with higher valuation from the traditional economy and cyclical industries will continue to adjust until market clearing, and the valuation might further polarise. With supervisory authorities in China deepening the capital market reform, which stresses serving the real economy with financial services and promotes healthy development of capital market, private equity industry might gain opportunities for improving profitability and recovering valuation.

Amid the relatively complicated external environment, with strategic guidance from the Everbright Group, CEL will adhere to the principle of “making progress while maintaining stability, seeking opportunity in changes, and moving forward with innovation” and take the responsibility and proactively promote business planning and strengthen management, as well as seize opportunities emerged and create values. Specifically, CEL will, **firstly**, continuously promote strategic transformation, strengthening the planning of main areas along with the country’s strategies such as “new infrastructure construction, new types of urbanisation, and major transportation and water conservancy projects” and 5G, in particular in aspects of technology innovation, reform upgrade and real economy; **secondly**, focus on Everbright Group’s strategy on international development, transform the business into cross-border asset management, make deployment in Greater Bay Area, and support the domestic and international development of Everbright Belt & Road Green Fund; **thirdly**, for aircraft leasing, support CALC in expanding the industry chain, and strive to become the world’s leading one-stop aircraft full industry chain solutions provider; **fourth**, in terms of big health, support Everbright Senior Healthcare to become a first-class elderly center by precise management; **fifth**, for new technology, guide Terminus in proactive development, and strive to become the leading player in the fields of AIoT and smart city.

OUTLOOK (continued)

2020 is the year destined to be remembered by history. The global outbreak of pandemic together with the extremely hard and complicated economic situation bring unprecedented challenges to countries and enterprises. CEL will strongly uphold its target of “becoming the world’s leading cross-border asset management company”, and live up to its spirits, aiming to turn the pandemic hit into opportunities and seek for a new growing point. At the same time, CEL will explore opportunities in risks and seek innovation under changes, and build alternative asset management systems and competitive advantage, with a view to getting over this extraordinary year of 2020 with our investment partners.

FINANCIAL POSITION

As at 30 June 2020, the Group’s total assets amounted to HK\$85.4 billion with net assets amounted to HK\$41.5 billion. Equity attributable to equity shareholders of CEL per share was HK\$23.5, decreased by 4.9% compared with the end of 2019. As at 30 June 2020, the Group’s interest-bearing debt ratio increased to 72.5% (31 December 2019: 70.7%).

FINANCIAL RESOURCES

The Group adopts a prudent approach to cash and financial management to ensure proper risk control and low cost funding. It finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 30 June 2020, the Group had cash and bank balances of HK\$8.7 billion, increased by HK\$1.4 billion compared with the end of 2019. Currently, most of the Group’s cash, representing 87.8%, is denominated in Hong Kong dollars and Renminbi.

BORROWING

The Group will review and ensure sufficient banking facilities to reserve resources to support its business development. As at 30 June 2020, the Group had banking facilities of HK\$26.6 billion, of which HK\$8.22 billion had not been utilised. The banking facilities were of one to thirteen years terms. The Group had outstanding bank loan of HK\$18.4 billion, of which HK\$15 billion was unsecured, decreased by 2.9% compared with the end of 2019. The Group had issued corporate bonds with outstanding principal amount of HK\$11.6 billion in equivalent. The interest-bearing borrowings were mainly denominated in Renminbi, representing about 48.4% of the total, and the remaining were mainly denominated in Hong Kong dollars, United States dollars and Singapore dollars. As at 30 June 2020, approximately 52.7% of the Group’s total principal amount of borrowing were at floating rates and the remaining 47.3% were at fixed rates. The maturity profile of the Group’s borrowings is set out in Note 20 of the Notes to the Financial Statements in this report.

PLEDGE OF ASSETS

As at 30 June 2020, fixed deposits of HK\$30 million were pledged to the banks for sales of mortgaged properties to customers and interest reserve account on bank loans and HK\$170 million were used to secure banking facilities granted to the Group entities. Investment properties, shares and inventories with carrying value of approximately HK\$4.3 billion, HK\$489 million and HK\$398 million are mortgaged to secure certain bank loans granted to the Group. Pursuant to the prime brokerage agreements entered with the prime brokers of a fund held by the Group, cash and securities deposited with the prime brokers were secured against liabilities to the prime brokers. As at 30 June 2020, assets deposited with the prime brokers included HK\$1,731 million and HK\$78 million which formed part of the Group trading securities and debtors respectively.

CONTINGENT LIABILITIES

As at 30 June 2020, the Company had issued financial guarantees to subsidiaries. The Board does not consider it is probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 30 June 2020 for the provision of the guarantees related to the facilities drawn down by the subsidiaries was HK\$8.2 billion.

EMPLOYEES

As at 30 June 2020, the Group's headquarters and fully owned subsidiaries had 319 full-time employees. The Group ensures that the remuneration packages for employees are fair and competitive and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Discretionary year end bonus may also be paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme and training programmes.

PRINCIPAL RISKS AND UNCERTAINTIES

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

DISCLOSURE OF INTERESTS

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

As at 30 June 2020, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (as defined by Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register of directors' and chief executives' interests and short positions required to be maintained under section 352 of the SFO are as follows:

1. Long position in shares of the Company:

Name of directors	Total	Personal interest	Other interest	% of total issued shares
Zhao Wei	417,134	–	417,134 ⁽¹⁾	0.02%
Zhang Mingao	208,567	–	208,567 ⁽¹⁾	0.01%
Tang Chi Chun Richard	927,567	719,000	208,567 ⁽¹⁾	0.06%
Yin Lianchen	142,798	26,000	116,798 ⁽¹⁾	0.01%
Chung Shui Ming Timpson	50,000	50,000	–	0.00%

Note:

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

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

Name of director	Total	Personal interest	% of total issued shares
Tang Chi Chun Richard	200,000	200,000	0.03%

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

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

Name of director	Total	Personal interest	% of total issued shares
Zhao Wei	10,000,000	10,000,000 ⁽¹⁾	1.42%

Note:

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

Save as disclosed above, as at 30 June 2020, none of the directors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined under the SFO) as recorded in the register of directors' and chief executives' interests and short positions.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2020 was the Company or any of its subsidiaries, holding companies or fellow subsidiaries, a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSURE OF INTERESTS | continued

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

As at 30 June 2020, the following persons were recorded in the register kept by the Company under section 336 of the SFO as having interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Position in Shares and Underlying Shares of the Company:

Name of shareholders	Total	Beneficial owner	Interests of controlled corporation	% of total issued shares
Central Huijin Investment Ltd. ("Huijin") ⁽¹⁾	838,306,207	–	838,306,207	49.74%
China Everbright Group Ltd. ("China Everbright Group") ⁽²⁾	838,306,207	–	838,306,207	49.74%
CITIC Group Corporation ⁽³⁾	135,150,000	–	135,150,000	8.02%
CITIC Limited ⁽³⁾	135,150,000	–	135,150,000	8.02%
Prudential plc ⁽³⁾	135,150,000	–	135,150,000	8.02%
CITIC-Prudential Life Insurance Company Limited ⁽³⁾	135,150,000	135,150,000	–	8.02%

Notes:

- (1) Huijin was indirectly wholly-owned by the State Council of the People's Republic of China and held 63.16% equity interest in China Everbright Group. It was deemed to be interested in the 838,306,207 ordinary shares indirectly held by China Everbright Group pursuant to the SFO.
- (2) China Everbright Group held 100% of the issued shares of China Everbright Holdings Company Limited ("CE Hong Kong"). CE Hong Kong held (1) 100% of the issued shares of Datten Investments Limited, which in turn held 100% of the issued shares of Honorich Holdings Limited ("Honorich"), and (2) 100% of the issued shares of Everbright Investment & Management Limited ("EIM"), respectively. Out of the 838,306,207 ordinary shares, 832,273,207 ordinary shares were held by Honorich and the remaining 6,033,000 ordinary shares were held by EIM. Accordingly, China Everbright Group was deemed to be interested in the 832,273,207 ordinary shares held by Honorich and 6,033,000 ordinary shares held by EIM pursuant to the SFO.

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

- (3) CITIC-Prudential Life Insurance Company Limited was indirectly owned as to 50% by each of CITIC Limited and Prudential plc. CITIC Limited was in turn indirectly owned as to 58.13% by CITIC Group Corporation. Accordingly, each of CITIC Group Corporation, CITIC Limited and Prudential plc was deemed to be interested in the 135,150,000 ordinary shares held by CITIC-Prudential Life Insurance Company Limited pursuant to the SFO.

Save as disclosed above, as at 30 June 2020, the Company had not been notified of any other person (other than the directors or chief executives of the Company) having any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 30 June 2020.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted its own “Code for Securities Transactions by Directors & Relevant Employees” (the “Code”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 of the Listing Rules to govern the securities transactions of the directors and relevant employees of the Company. Following a specific enquiry made by the Company, all directors of the Company 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 2020.

REVIEW BY AUDIT AND RISK MANAGEMENT COMMITTEE

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

The Audit and Risk Management Committee and the management have 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 2020.

OTHER INFORMATION

LOAN FACILITIES WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

On 15 July 2016, a wholly owned subsidiary of the Company as borrower, the Company as guarantor entered into a facility letter with an independent third party bank as lender for a term loan of up to US\$150 million (or in equivalent Hong Kong dollars or Renminbi) for a period of 5 years from the signing date of the said facility letter. Under the said facility letter, it will be an event of default if CE Hong Kong ceases to be the single largest shareholder of the Company or ceases to maintain management control of the Company. Upon the occurrence of any of the above events, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 31 July 2017, the Company as borrower entered into a facility agreement with an independent third party bank as lender for a term loan of up to US\$80 million (or in equivalent Hong Kong dollars) for a period of 60 months from the date of the said facility agreement. Under the said facility agreement, it will be an event of default if CE Hong Kong (i) ceases to beneficially own, directly or indirectly, at least 40% of the total issued share capital of the Company or (ii) ceases to be beneficially wholly-owned, directly or indirectly, by a state body of the People's Republic of China. Upon the occurrence of any of the above events, the facilities under the said facility agreement together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

On 18 January 2018, the Company as borrower entered into a facility letter with an independent third party bank as lender for (i) a term loan of up to US\$100 million (or in equivalent Hong Kong dollars or Euro dollars) for a period of 3 years from the date of each drawdown and (ii) a revolving demand loan of up to US\$100 million (or in equivalent Hong Kong dollars or Euro dollars) which shall be fully repaid within 12 months from the end of the availability period. Pursuant to the said facility letter, the total outstanding balance of the facilities shall not at any time exceed US\$100 million. Under the said facility letter, it will be an event of default if CE Hong Kong ceases to be the single largest shareholder of the Company. Upon the occurrence of the above event, the facilities under the said facility letter together with all accrued interest and any other amounts accrued under the facilities may become immediately due and payable.

LOAN FACILITIES WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER (continued)

On 30 April 2018, the Company entered into a supplementary facility letter with an independent third party bank as lender to an uncommitted revolving loan facility dated 18 December 2015 of up to US\$300 million (or in equivalent Hong Kong dollars or Renminbi), pursuant to which the lender will continue to provide the revolving loan facility to the Company for a period of one year from the date of the acceptance of such supplementary facility letter, which is subject to a further extension for one more year at the lender's sole discretion. Pursuant to the terms of the revolving loan facility, it will be an event of default if CE Hong Kong ceases to be the single largest shareholder of the Company. Upon the occurrence of the above event, the facilities under the revolving loan facility together with all accrued interest and any other amounts accrued under the revolving loan facility may become immediately due and payable.

As at 30 June 2020, the circumstances giving rise to the obligations under Rules 13.18 of the Listing Rules continued to exist.

CHANGES OF DIRECTORS' INFORMATION

The changes of information of the directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follows:

1. Dr. Zhao Wei, an Executive Director and the Chief Executive Officer of the Company, ceased to be the Chairman of Everbright Jiabao Co., Ltd. (stock code: 600622.SH) with effect from 19 May 2020.
2. Mr. Zhang Mingao, an Executive Director and the Chief Investment Officer of the Company, was appointed as the Chairman of Everbright Jiabao Co., Ltd. (stock code: 600622.SH) with effect from 19 May 2020.
3. Dr. Chung Shui Ming Timpson, an Independent Non-executive Director of the Company, ceased to be an Independent Non-executive Director of Jinmao (China) Hotel Investments and Management Limited (stock code: 6139.HK) with effect from 9 June 2020.
4. Mr. Law Cheuk Kin Stephen, an Independent Non-executive Director of the Company, was appointed as an Independent Non-executive Director of China Galaxy Securities Co., Ltd. (stock code: 601881.SH, 6881.HK) with effect from 29 June 2020.

Save as disclosed above, the Company is not aware of other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK\$0.14 per share for the six months ended 30 June 2020 (2019: HK\$0.25 per share) to those shareholders whose names appear on the register of members of the Company on Friday, 25 September 2020. The interim dividend will be paid on Friday, 9 October 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 23 September 2020 to Friday, 25 September 2020 (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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 22 September 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2020.

By order of the Board
China Everbright Limited
Zhao Wei
Chief Executive Officer

Hong Kong, 27 August 2020