Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

*This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The securities have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state of the United States or other jurisdiction. The securities are being offered and sold outside the United States in reliance on Regulation S under the Securities Act and may not be offered or sold within the United States absent registration or an exemption from registration under the Securities Act. No public offering of the securities will be made in the United States or in any other jurisdiction where such an offering is restricted or prohibited.*

This announcement and the listing documents referred to herein are for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell or acquire or the solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing documents) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the listing documents referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

Notice to Hong Kong investors: *With respect to Notes (as defined in the Offering Circular (as defined below)) to be listed on the Stock Exchange of Hong Kong Limited, the Issuer and the Guarantor (as defined below) confirm that the Notes are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and will be listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF OFFERING CIRCULAR

U.S.$2,000,000,000 Medium Term Note Programme

(the "Programme")

by

Legend Fortune Limited

(incorporated in the British Virgin Islands with limited liability)

(as "**Issuer**")

unconditionally and irrevocably guaranteed by

招銀国际
CMB INTERNATIONAL

CMB International Capital Corporation Limited

招銀國際金融有限公司

(incorporated in Hong Kong with limited liability)

(as "**Guarantor**")

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Please refer to the offering circular relating to the Programme dated 21 May 2021 (the "**Offering Circular**") appended herein. The Offering Circular is published in English only. No Chinese version of the Offering Circular has been published.

Hong Kong, 24 May 2021

As at the date of this announcement, the directors of the Issuer are Ms. Gao Yiwen and Ms. Chen Yin.

As at the date of this announcement, the directors of the Guarantor are Mr. Tian Huiyu, Mr. Zhao Ju, Mr. Zhu Qi, Mr. Zhang Cheng, Mr. Peng Jiawen, Mr. Xu Xiaosong, Mr. Chan Ka Keung Ceajer, Mr. Lu Zhengfei and Mr. Ding Yibing.

TABLE OF CONTENTS

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES AND, IN CERTAIN CIRCUMSTANCES, ARE NOT U.S. PERSONS.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer (as defined herein) or the Guarantor (as defined herein) as a result of such access. In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States.

Confirmation of Your Representation: The Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to represent to the Issuer, the Guarantor, the Arranger (as defined herein) and the Dealer (as defined herein) that (1) you and any customers you represent are outside the United States and, in certain circumstances, not U.S. persons (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")) and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) you consent to delivery of the Offering Circular and any amendments or supplements thereto by electronic transmission.

The Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee or the Agents (each as defined in the Offering Circular) or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee, the Agents or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the Issuer, the Guarantor, the Arranger and the Dealers.

Restrictions: The Offering Circular is being furnished in connection with an offering in offshore transactions to persons outside the United States or, in certain circumstances, to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR (IN THE CASE OF NOTES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES, OR IN CERTAIN CIRCUMSTANCES, TO U.S. PERSONS, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE OFFERING IS MADE SOLELY OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of any of the Issuer, the Guarantor, the Arranger or the Dealers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute, in the United States or elsewhere, directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Arranger or the Dealers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

You are reminded that you have accessed the Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the Offering Circular.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR **STRICTLY CONFIDENTIAL**

Legend Fortune Limited

(Incorporated in British Virgin Islands with limited liability)

U.S.$2,000,000,000
Medium Term Note Programme
Unconditionally and Irrevocably Guaranteed by

招銀国际
CMB INTERNATIONAL

CMB International Capital Corporation Limited
(招 銀 國 際 金 融 有 限 公 司)

(Incorporated in Hong Kong with limited liability)

Under the U.S.$2,000,000,000 guaranteed medium term note programme described in this Offering Circular (the "**Programme**"), Legend Fortune Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**") which will be unconditionally and irrevocably guaranteed ("**Guarantee**") by CMB International Capital Corporation Limited (招銀國際金融有限公司) (the "**Guarantor**" or "**CMBI**"). The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and subject to Condition 4(a) of the Terms and Conditions of the Notes, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor. The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$2,000,000,000 (or the equivalent in other currencies), subject to increase as further described in "*Summary of the Programme*".

Where applicable for a relevant Tranche (as defined in "*Summary of the Programme*") of Notes, the Notes will be issued within the relevant annual or otherwise general foreign debt issuance quota granted to China Merchants Bank Co., Ltd., (招商銀行股份有限公司) ("**China Merchants Bank**" or "**CMB**", together with its subsidiaries, the "**CMB Group**") by the National Development and Reform Commission of the PRC (as defined herein) (the "**NDRC**") or registration will be completed by the Guarantor with the NDRC pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (Fa Gai Wai Zi [2015] No 2044) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC which came into effect on 14 September 2015 and the applicable implementation rules or policies thereof as issued by the NDRC from time to time (the "**NDRC Circular**"). After the issuance of such relevant Tranche of Notes, the Guarantor has undertaken to provide or cause to be provided a notification of the requisite information and documents on the issuance of such Notes to the NDRC within the time period after the relevant Issue Date as required by the NDRC.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Programme on the Hong Kong Stock Exchange by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Professional Investors**")) only during the 12-month period after the date of this Offering Circular. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: Each of the Issuer and the Guarantor confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Guarantor or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Notice of the aggregate nominal amount of the Notes, interest (if any) payable in respect of the Notes, the issue price of the Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set out in a pricing supplement (the "**Pricing Supplement**") which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the relevant Issue Date (as defined in the Terms and Conditions of the Notes). The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or listed, traded or quoted on or by any other competent authority, exchange or quotation system.

Notes may be issued in bearer or registered form. The Notes of each Series issued in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Global Note**") (collectively, the "**Global Note**"). Bearer Notes that are issued in compliance with rules in substantially the same form as U.S. Treasury Regulations § 1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") ("**TEFRA D**") must be initially represented by a Temporary Global Note and interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note on or after the date 40 days after the later of the commencement of the offering and the relevant Issue Date (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. The Notes of each Series in registered form will initially be represented by a global certificate (each a "**Global Certificate**"). Global Notes and Global Certificates may be deposited on the relevant Issue Date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**"), or with a sub-custodian for the Central Moneymarkets Unit Service (the "**CMU**") operated by the Hong Kong Monetary Authority. The provisions governing the exchange of interests in Global Notes for other Global Notes or if so stated in the relevant Pricing Supplement, definitive Notes ("**Definitive Notes**"), or Global Certificates for Certificates are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state of the United States and may not be offered or sold or, in case of Bearer Notes, delivered, in the United States or, in certain circumstances, to or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from the registration requirements of the Securities Act. There will be no public offer of securities in the United States. The Notes and the Guarantee are being offered outside the United States in reliance on Regulation S under the Securities Act. Bearer Notes are subject to U.S. tax law requirements. See "*Subscription and Sale*".

In addition, if the Pricing Supplement in respect of any relevant Tranche of Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the relevant Tranche of Notes is not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the relevant Tranche of Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the relevant Tranche of Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Further, if the Pricing Supplement in respect of any relevant Tranche of Notes includes a legend entitled "*Prohibition of Sales to UK Retail Investors*", the relevant Tranche of Notes is not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the relevant Tranche of Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the relevant Tranche of Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer and the Guarantor (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

The Programme is expected to be assigned a rating of "Baa1" by Moody's Investor Services, Inc. ("**Moody's**"). In addition, the Guarantor has been assigned a corporate credit rating of "Baa1" with a stable outlook by Moody's and "BBB+" with a positive outlook by S&P Global Ratings ("**S&P**"). These ratings are only correct as at the date of this Offering Circular. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Investing in the Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the relevant Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. Prospective investors should have regard to the factors described under the section entitled "Risk Factors" in this Offering Circular.

Arranger and Dealer
CMB International

Offering Circular dated 21 May 2021

NOTICE TO INVESTORS

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and their respective subsidiaries (together, the "**Group**") and to the Guarantee and the Notes which is material in the context of the issue and offering of the Notes; (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the Guarantee and the Notes are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and to the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Guarantee or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect; (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements; and (vi) the statistical, industry and market-related data included in this Offering Circular is based on or derived from sources which each of the Issuer and the Guarantor believes to be accurate and reliable in all material respects.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Listing of the Programme or the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the terms of the offering, including the merits and risks involved. Please see "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes. Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" as amended and/or supplemented by a Pricing Supplement. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein (see "*Information Incorporated by Reference and Financial Information*") and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement. This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, CMB International Capital Limited (招銀國際融資有限公司) (the "**Arranger**" and the "**Dealer**"), the Trustee and the Agents (as defined in the Terms and Conditions of the Notes) and each of their respective affiliates, directors, officers, employees, representatives, agents and advisers and each person who controls any of them to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. No action is being taken to permit a public offering of any of the Notes or the distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action would be required for such purposes. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

MiFID II product governance/target market – The Pricing Supplement in respect of any Tranche of Notes may include a legend entitled "*MiFID II Product Governance*" which will outline the target market assessment in respect of the relevant Tranche of Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the relevant Tranche of Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance Rules, any Dealer subscribing for any relevant Tranche of Notes is a manufacturer in respect of such relevant Tranche of Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Tranche of Notes may include a legend entitled "*UK MiFIR Product Governance*" which will outline the target market assessment in respect of the relevant Tranche of Notes and which channels for distribution of the Notes are appropriate. Any UK distributor should take into consideration the target market assessment; however, a UK distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the relevant Tranche of Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any relevant Tranche of Notes is a manufacturer in respect of such relevant Tranche of Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any relevant Tranche of Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the relevant Tranche of Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by PRIIPs Regulation for offering or selling the relevant Tranche of Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the relevant Tranche of Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION – PROHIBITION OF SALES TO UK RETAIL INVESTORS – If the Pricing Supplement in respect of any relevant Tranche of Notes includes a legend entitled "*Prohibition of Sales to UK Retail Investors*", the relevant Tranche of Notes is not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation. Consequently no key information document required by the UK PRIIPs Regulation for offering or selling the relevant Tranche of Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the relevant Tranche of Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) – *In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA -N16: Notice on Recommendations on Investment Products).*

There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the EEA, the United Kingdom, the PRC, Hong Kong, Singapore, Japan and the British Virgin Islands, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular and any Pricing Supplement, see "*Subscription and Sale*".

No person has been or is authorised to give any information or to make any representation concerning the Group, the Notes or the Guarantee other than as contained in this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Arranger, any Dealer, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them). Neither the delivery of this Offering Circular or any Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or any of them since the date hereof, or if later, the date upon which this Offering Circular has been most recently amended or supplemented, or create any implication that the information contained herein is correct as at any date subsequent to the date hereof or, as the case may be, the date upon which this Offering Circular has been most recently amended or supplemented, or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them) to subscribe for or purchase any Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is highly confidential and has been prepared by the Issuer and the Guarantor solely for use in connection with the Programme and the proposed offering of the Notes under the Programme as described herein. Neither the Issuer nor the Guarantor has authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Arranger, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them as to the accuracy, completeness or sufficiency of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Programme, and nothing contained or incorporated in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Arranger, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them. None of the Arranger, the Dealers, the Trustee and the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them has independently verified any of the information contained in this Offering Circular and can give assurance that such information is accurate, truthful or complete.

To the fullest extent permitted by law, each of the Arranger, the Dealers, the Trustee and the Agents and each of their respective affiliates, directors, officers, employees, representatives, agents and advisers and each person who controls any of them) does not accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by it or on its behalf in connection with the Issuer, the Guarantor, the giving of the Guarantee or the issue and offering of the Notes. Each of the Arranger, the Dealers, the Trustee, the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Arranger, the Dealers, the Trustee and the Agents and each of their respective affiliates, directors, officers, employees, representatives, agents and advisers and each person who controls any of them undertakes to review the financial condition or affairs of the Guarantor during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investors in the Notes of any information coming to the attention of the Arranger, any Dealer, the Trustee or any Agent or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them.

This Offering Circular, the Pricing Supplement and any other information supplied in connection with the Programme or any Notes (i) are not intended to provide the basis of any credit or other evaluation and (ii) should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them) that any recipient of this Offering Circular should purchase any Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

THE NOTES AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED, WITHIN THE UNITED STATES OR, IN CERTAIN CIRCUMSTANCES, TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S OR THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND REGULATIONS THEREUNDER IN CASE OF BEARER NOTES).

In connection with the issue of any Tranche of Notes, one or more of the Dealers (if any) named as stabilisation manager(s) in the applicable Pricing Supplement or persons acting on their behalf (the "**Stabilisation Manager(s)**") may over-allot Notes or effect transactions with a view to supporting the market price of Notes of the relevant Tranche at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilisation Manager(s) to do this. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Such stabilisation, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilisation shall be in compliance with all applicable laws, regulations and rules.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances. Each person receiving this Offering Circular acknowledges that such person has not relied on the Arranger, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them) in connection with its investigation of the accuracy of such information or its investment decision.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers, or any person who controls any of them, and none of the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains consolidated financial information of the Guarantor as at and for the years ended 31 December 2018, 2019 and 2020, which has been extracted from the audited consolidated financial statements of the Group as at and for the years ended 31 December 2019 and 2020 (together, the "**Audited Financial Statements**") which are included elsewhere in this Offering Circular. The Audited Financial Statements have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants) ("**Deloitte**"), the independent auditor of the Guarantor in accordance with the Hong Kong Institute of Certified Public Accountants' Code of Ethics for Professional Accountants. The Audited Financial Statements have been prepared and presented in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

EXCHANGE RATE INFORMATION

The consolidated financial statements of the Guarantor are presented in Hong Kong dollars. For convenience only and unless otherwise noted, all translations from Hong Kong dollars into U.S. dollars in this Offering Circular were made at the rate of HK$7.7534 to U.S.$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 31 December 2020. No representation is made that the Hong Kong dollar amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all, and vice versa.

ROUNDING

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

CERTAIN DEFINITIONS AND CONVENTIONS

We have prepared this offering circular using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we", "us", "our", the "Guarantor", the "Company", the "Group" and words of similar import, we are referring to CMB International Capital Corporation Limited (招銀國際金融有限公司) itself, or CMB International Capital Corporation Limited (招銀國際金融有限公司) and its consolidated subsidiaries, as the context requires.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "China" or the "PRC" are to the People's Republic of China and, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan; references to "Hong Kong" are to the Hong Kong Special Administrative Region of the People's Republic of China; references to "U.S." are to the United States of America and references to the "EU" are to the European Union.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "Renminbi" or "RMB" are to the lawful currency of the PRC; references to "Hong Kong dollars" or "HK$" are to the lawful currency of Hong Kong; references to "U.S. dollars" or "U.S.$" are to the lawful currency of the United States of America and references to "sterling" or "£" are to the lawful currency of the United Kingdom.

INFORMATION INCORPORATED BY REFERENCE AND FINANCIAL INFORMATION

This Offering Circular should be read and construed in conjunction with:

(i) each relevant Pricing Supplement; and

(ii) all amendments and supplements from time to time to this Offering Circular;

which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular.

Any statement contained in this Offering Circular or in a document incorporated by reference into this Offering Circular will be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained in any such subsequent document modifies or supersedes that statement. Any statement that is modified or superseded in this manner will no longer be a part of this Offering Circular, except as modified or superseded.

Copies of the documents mentioned in (i) and (ii) above which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available (upon prior written request and proof of holding and identity satisfactory to the Trustee) free of charge, during usual business hours (being between 9:00 a.m. and 3:00 p.m., Hong Kong time) on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the principal office of the Trustee set out at the end of this Offering Circular.

SUPPLEMENTAL OFFERING CIRCULAR

Each of the Issuer and the Guarantor has given an undertaking to the Dealers that unless the Issuer has notified the Permanent Dealers (as defined in the Dealer Agreement described in the section entitled "*Subscription and Sale*") in writing that it does not intend to issue Notes under the Programme for the time being, each of the Issuer and the Guarantor shall prepare and publish an amendment or supplement to this Offering Circular if at any time during the duration of the Programme a significant new factor, material mistake or material inaccuracy arises or is noted relating to the information included in this Offering Circular which is capable of affecting an assessment by investors of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and/or the Guarantor and/or of the rights attaching to the Notes and/or the Guarantee.

FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made forward-looking statements in this Offering Circular regarding, among other things, the Group's financial condition, future expansion plans and business strategies. These forward-looking statements are based on the Group's current expectations about future events. Although the Issuer and the Guarantor believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the Group's business and operating strategies;
- the Group's capital expenditure and development plans;
- the amount and nature of, and potential for, future development of the Group's business;
- future developments, trends and conditions in the industries and markets in which the Group operates;
- various business opportunities that the Group may pursue;
- changes in political, economic, legal and social conditions in the PRC, including the specific policies of the PRC central and local governments affecting the regions where the Group operates;
- changes in the global economic conditions and material volatility in the global financial markets;
- the prospective financial condition and performance regarding the Group's businesses;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industries and markets in which the Group operates;
- availability and costs of bank loans and other forms of financing;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- the Group's ability to obtain additional capital on acceptable terms;
- reduction or discontinuance of the government subsidies and other government grants or the mismatch in terms of timing of the availability of the government fiscal support and the Group's cash flow requirement;
- fluctuations in the PRC and general risks incidental to the ownership and management of properties; and
- other risks identified in the section entitled "Risk Factors" in this Offering Circular.

The words "anticipate", "believe", "estimate", "expect", "intend", "plan" and similar expressions are intended to identify a number of these forward-looking statements. The Issuer, the Guarantor and each other member of the Group undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the actual results of the Issuer, the Guarantor or the Group could differ materially from those anticipated in these forward-looking statements.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer and the Guarantor expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

TABLE OF CONTENTS

SUMMARY

OVERVIEW

CMBI is a well-established capital market financial services company incorporated in Hong Kong, serving as the sole offshore integrated financial services platform of its parent company, CMB, one of the largest PRC-based commercial banks. As a key part of CMB's financial services ecosystem, CMB has provided financial support for and assistance to the Group's business development and strategic expansion. The Group's innovative and comprehensive product portfolios serve CMB's transitioning from a traditional commercial bank to an integrated "Wealth Management – Asset Management – Investment Bank" financial services platform, complementing CMB's financial services value chain. This provides an important linkage between the commercial bank business of CMB and the capital market financial services business of CMBI, creating substantial and mutually beneficial synergy between CMB and the Group. CMBI leverages on the synergy and coordination in domestic and overseas markets within the CMB Group, as well as taps into CMB's extensive distribution network, established client base and strong brand recognition to expand the Group's business and to strengthen its brand image to achieve substantial growth in terms of scale, revenue and profitability. With this advantage, the Group provides quality and integrated capital market financial services to institutional, corporate and retail customers globally, services including corporate finance, asset management, wealth management, equities and structured finance across various industries and sectors.

The Group conducts its businesses mainly through its wholly-owned subsidiaries, some of which are licensed to undertake comprehensive regulated activities in Hong Kong. The Group has obtained the following licences from the SFC: Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management). The Group also owns subsidiaries that undertake non-SFC regulated activities in Hong Kong, the PRC and Singapore.

The Group's operations are based mainly in Hong Kong and the PRC, with its headquarters located in Hong Kong, offices located in Beijing and Shanghai, and subsidiaries located in Shenzhen and Singapore.

The Group's offering of a range of financial services to clients, and such services can be divided into the following main business segments:

- *Corporate Finance:* engages in a full range of high-quality corporate finance services such as sponsorship, equity underwriting, debt underwriting and corporate finance advisory on M&A transactions and fixed income.

- *Asset Management:* includes HK asset management platform and Shenzhen private equity investment platform and provides comprehensive asset management services including secondary market investment, private equity investment and investment advisory services, and offers a range of product lines and strategies covering different asset classes and markets.

- *Wealth Management:* provides integrated wealth management services with a broad range of products and solutions including cash management, fixed income, equities, alternative investment[1] and insurance.

- *Equities:* engages in general brokerage, sales, agency trading and global market futures trades and provides margin financing to the clients, and also engages in research services on a wide variety of stocks (for both the primary and secondary markets), industries and global and China's economic and political trends.

---

1 Alternative investment includes hedge funds, private equity, debt and real estate funds and derivative products.

- *Structured Finance:* seeks to provide financing solutions to clients from various industries and serves as a long-term financing partner with executives and shareholders. It provides financing solutions via offering credit products covering a broad spectrum of capital structures, including but not limited to senior loans, junior loans, mezzanine debt, credit notes and preferred equity.

For the year ended 31 December 2020, the Group's total revenue[2] was HK$4,104 million, compared to HK$2,696 million for the year ended 31 December 2019 and HK$2,158 million for the year ended 31 December 2018, respectively, representing a compound annual growth rate ("**CAGR**") of 37.9 per cent. For the year ended 31 December 2020, the Group's profit before tax was HK$1,724 million, compared to HK$1,085 million for the year ended 31 December 2019 and HK$1,015 million for the year ended 31 December 2018, respectively, representing a CAGR of 30.3 per cent. As at 31 December 2020, the Group's total assets were HK$40,439 million and net assets HK$7,478 million, compared to HK$26,432 million and HK$6,231 million as at 31 December 2019 and HK$20,198 million and HK$5,616 million as at 31 December 2018, respectively, representing a CAGR of 41.5 per cent. and 15.4 per cent., respectively.

HISTORY AND MILESTONES OF THE GROUP

The Group is a dynamic group with a rich history. It constantly reinvents itself and develops new engines of growth. In particular, in order to remain relevant to market developments, the Group underwent restructuring and reorganisation in 2015. Set out below are the history and key milestones of the Group:

1993.	Jiang Nan Finance Limited ("**Jiang Nan Finance**"), the predecessor of CMBI was founded.
1998.	Jiang Nan Finance was acquired by CMB and became a wholly-owned subsidiary of CMB.
2002.	Jiang Nan Finance was renamed as CMB International Capital Corporation Limited ("**Former CMBI**") with approval from the People's Bank of China ("***PBOC***").
2015.	In line with the positioning as CMB's sole offshore capital market financial services platform, the Group underwent restructuring and reorganising which resulted in Former CMBI being renamed as CMB International Capital Holdings Corporation Limited ("**CMBI Holdings**") and the establishment of a new subsidiary under CMBI Holdings named CMB International Capital Corporation Limited ("**CMBI**"). CMBI was designated as the business platform which holds all of the Group's subsidiaries and the main operating assets and liabilities of Former CMBI were transferred to CMBI. CMBI established its Beijing Representative Office.
2016.	As part of the restructuring and reorganising began in 2015, CMBI acquired the securities and futures business of Wing Lung Bank, Limited, which later changed its name to CMB Wing Lung Bank Limited ("**CMB Wing Lung Bank**") for a consideration of newly issued shares amounting to 16.8 per cent. of CMBI's increased share capital, resulting in CMB International Futures Limited and Wing Lung Securities Limited, which later changed its name to Yat Lung Securities Limited, becoming wholly-owned subsidiaries of CMBI, while CMBI remained 100 per cent. owned by CMB through CMBI Holdings and CMB Wing Lung Bank.
2017.	CMBI established its Shanghai Representative Office and expanded into Southeast Asia by establishing CMBI (Singapore) Pte. Limited ("**CMBISG**").

2 The Group's total revenue consists of revenue, other income, share of profit of associates and share of profit of joint ventures.

2018.	CMBI was assigned a "Baa1" long-term issuer rating and a "Prime 2" short-term issuer rating from Moody's; it was also assigned a "BBB+" long-term and a "A-2" short-term issuer credit ratings by S&P. CMBI issued U.S.$300 million floating rate notes due 2021. CMBI ranked as the top underwriter of IPO on The Hong Kong Stock Exchange for two consecutive years.
2021.	CMBI's credit rating outlook was upgraded from "stable" to "positive" by S&P.

AWARDS AND RECOGNITIONS

The Group has received numerous awards and recognitions from industry associations and relevant organisations. Set forth below is a list of significant awards and recognitions the Group received:

- In 2020, "Best Chinese Securities Firm" by *the tenth China Securities Golden Bauhinia Awards*;
- In 2020, tenth place in the "Top 100 Private Equity Investment Institutions in China" by *Zero2IPO*;
- In 2020, second place "Golden Central Selection" Award for "*Best Performance in Asset Management Business*";
- In 2020, "Outstanding Leader" by *Extraordinary Brand of Cross-Border Retail Securities Companies*;
- In 2020, "Best Performance Brokerage Business" by *Golden Central*;
- In 2020, CMBI's corporate finance business ranked second among Chinese investment banks in Zero2IPO's "Top 10 Lead Underwriters in Overseas Listing of Chinese Companies (VC/PE Supported)";
- In 2020, third place in "Best for Overall Research" in both "Hong Kong (Local shares) 2020" and "China (H-shares, Red Chips & P-Chips) 2020" by *Asiamoney*:
    - Semiconductor, equipment and medical industry research team ranked the first place;
    - Other eight research teams ranked in the top three;
- In 2020, "Best User Experience Award" for Yat Lung GloBal App by *Phoenix.com Hong Kong Stocks Jin Wu Award*; and
- In 2020, "Continuous Winning Equity Investment Institution" for three consecutive years by China Equity Investment Golden Bull Award.

COMPETITIVE STRENGTHS

The following competitive strengths have contributed and will continue to contribute to the Group's business success:

- Robust support from CMB creating strategic synergy and competitive strength
- "One CMBI" strategy offering clients best-in-class full-life cycle services
- Regional leadership with focus on China growth opportunities
- Strong financing capabilities and effective and prudent integrated risk management
- Staff and management team with extensive knowledge and experience

BUSINESS STRATEGIES

The Group intends to implement the following business strategies in order to achieve its business goals:

- Achieve balanced growth under an asset-light business model
- Focus on improving customers experience and serve the real economy
- Enhance the Group's product innovation ability to improve its product offering
- Capture historical growth opportunities by leveraging the support of CMB
- Enhance the Group's risk management system, internal control and IT capabilities

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Phrases used in this summary and not otherwise defined shall have the meanings given to them in the section entitled "Terms and Conditions of the Notes".

Issuer	Legend Fortune Limited.
Guarantor	CMB International Capital Corporation Limited (招銀國際金融有限公司).
Description	Guaranteed Medium Term Note Programme.
Size	Up to U.S.$2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer and the Guarantor may increase the aggregate nominal amount of the Programme in accordance with the terms of the Dealer Agreement (as defined in the section entitled "*Subscription and Sale*").
Legal Entity Identifier (LEI) of the Issuer	549300ZK4C5GBWRE7L09.
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer and the Guarantor to fulfil their respective obligations in respect of the Notes and the Guarantee are discussed under "*Risk Factors*".
Arranger and Dealer	CMB International Capital Limited (招銀國際融資有限公司).
	The Issuer and the Guarantor may from time to time terminate the appointment of any Dealer under the Programme or appoint Dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "Dealers" are to all persons appointed as a dealer in respect of one or more Tranches or the Programme.
Certain Restrictions.	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*"). Further restrictions may apply in connection with any particular Series or Tranches of Notes.
Trustee	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Issuing and Paying Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).

CMU Lodging and Paying Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Registrar and Transfer Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Calculation Agent	In relation to a specific Series of Notes, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) if appointed as such for such Series (or such other Calculation Agent as may be appointed in relation to such Series).
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and/or the issue price), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the Issue Date, the issue price, the first payment of interest on them, nominal amount of the Tranche and the timing for submission of the NDRC Post-Issue Filing (if applicable), will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	Notes may be issued in bearer or registered form as described in "*Terms and Conditions of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and vice versa. Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Tranche of Registered Notes will initially be represented by a Global Certificate. Where TEFRA D is applicable, Bearer Notes must initially be issued in the form of a Temporary Global Note, exchangeable for Permanent Global Notes or Definitive Notes upon certification of non-U.S. beneficial ownership.
Clearing Systems	Clearstream, Euroclear, the CMU and, in relation to any Tranche, such other clearing system as may be selected by the Issuer and/or the Guarantor, and approved in writing by the Trustee, the Issuing and Paying Agent or, as the case may be, the CMU Lodging and Paying Agent and, if applicable, the Registrar.

Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note or Global Certificate representing the Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the CMU. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Guarantor, the Trustee, the Issuing and Paying Agent and the relevant Dealer(s). Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor and the relevant Dealer(s).
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s).
Specified Denomination	Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all relevant laws, regulations and directives. Unless otherwise permitted by the then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Fixed Rate Notes	Fixed interest will be payable in arrear on such date or dates as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s).
Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: • on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

- by reference to LIBOR, EURIBOR, HIBOR or CNH HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or

- on such other basis as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s). Interest periods will be specified in the relevant Pricing Supplement.

Zero Coupon Notes . . . . Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

Dual Currency Notes . . . . Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in the Terms and Conditions of the Notes) will be made in such currencies, and based on such rates of exchange, as the Issuer, the Guarantor and the relevant Dealer(s) may agree and as may be specified in the relevant Pricing Supplement.

Index Linked Notes . . . . Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in prices of securities or commodities or to such other factors as the Issuer, the Guarantor and the relevant Dealer(s) may agree and as may be specified in the relevant Pricing Supplement.

Interest Periods and Interest Rates . . . . The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Redemption . . . . The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable (detailed in a formula, index or otherwise). Unless permitted by then-current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Optional Redemption . . . . Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement as further described in Condition 6(e) and Condition 6(f), respectively, of the Terms and Conditions of the Notes.

Redemption for a Change of Control	Following the occurrence of a Change of Control, any Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all, but not some only, of such Noteholder's Note at 101 per cent. of their nominal amount, together in each case with accrued interest, as further described in Condition 6(d) of the Terms and Conditions of the Notes.
Redemption for Taxation Reasons	Notes will be redeemable at the Issuer's option prior to maturity for taxation reasons as further described in Condition 6(c) of the Terms and Conditions of the Notes.
Status of Notes	The Notes and any Receipts relating to them will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Notes) unsecured obligations of the Issuer and will at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts relating to them shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a) of the Terms and Conditions of the Notes, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.
Status of the Guarantee	The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a) of the Terms and Conditions of the Notes, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions of the Notes.
Cross-Acceleration	The Terms and Conditions of the Notes will contain a cross-acceleration provision as described in Condition 10(c) of the Terms and Conditions of the Notes.
Withholding Tax	All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and Coupons or under the relevant Guarantee will be made without set-off or counterclaim and free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong or the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. The Issuer or (as the case may be) the Guarantor will, subject to certain customary exceptions, pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required as further described in Condition 8 of the Terms and Conditions of the Notes.

Ratings	The Programme is expected to be assigned a rating of "Baa1" by Moody's. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.
Governing Law and Jurisdiction	English law with the submission to the exclusive jurisdiction of courts of England.
Listing and Admission to Trading	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or listed, traded or quoted on or by any other competent authority, exchange or quotation system. Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Japan, Hong Kong, the PRC, Singapore and the British Virgin Islands and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*". Bearer Notes will be issued in compliance with rules in substantially the same form as TEFRA D unless (i) the relevant Pricing Supplement states that the Bearer Notes are issued in compliance with rules in substantially the same form as U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) for purposes of Section 4701 of the Code ("**TEFRA C**") or (ii) the Bearer Notes are issued other than in compliance with TEFRA D or TEFRA C. In the case of Bearer Notes, only Notes with a term of 365 days or less (taking into account any unilateral extensions and rollovers) will be issued other than in compliance with TEFRA D or TEFRA C and will be referred to in the relevant Pricing Supplement as a transaction to which the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**") is not applicable. Bearer Notes with a term of more than 365 days (taking into account any unilateral extensions and rollovers) that are held through the CMU must be issued in compliance with TEFRA C, unless at the time of issuance the CMU and CMU Lodging and Paying Agent have procedures in place so as to enable the Issuer to comply with the certification requirements under TEFRA D.

SUMMARY FINANCIAL INFORMATION OF THE GROUP

The summary consolidated financial information of the Group as at and for the years ended 31 December 2018, 2019 and 2020 set forth below is derived from the Audited Financial Statements (which have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants) and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements, which are included in the F-pages of this Offering Circular. The summary consolidated financial information below is not necessarily indicative of the results of future operations.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December		
	2018	**2019**	**2020**
	HK$	*HK$*	*HK$*
Revenue	1,914,911,191	2,119,387,276	2,651,145,326
Other income	41,122,248	78,391,756	72,150,812
Share of profit of associates	11,908,266	191,786,791	562,420,612
Share of profit of joint ventures	190,467,095	306,582,896	818,687,169
Staff costs	(653,880,656)	(857,625,067)	(1,376,967,759)
Depreciation	(19,349,022)	(26,250,130)	(27,798,708)
Amortisation of intangible assets	(450,235)	(1,230,347)	(824,044)
Net impairment loss	(85,496,246)	(156,266,362)	(288,829,714)
Commission expenses	(43,949,997)	(88,191,634)	(165,633,734)
Other operating expenses	(231,906,445)	(284,631,979)	(309,712,106)
	1,123,376,199	1,281,953,200	1,934,637,854
Finance costs	(108,008,993)	(197,248,037)	(209,889,885)
Profit before taxation	1,015,367,206	1,084,705,163	1,724,747,969
Income tax expense	(240,810,794)	(178,287,980)	(297,828,143)
Profit for the year from continuing operations	774,556,412	906,417,183	1,426,919,826
Profit attributable to:			
– Owners of the Company	775,168,640	876,644,075	1,376,433,719
– Non-controlling interests	(612,228)	29,773,108	50,486,107
Other comprehensive expense	774,556,412	906,417,183	1,426,919,826
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive expense of joint ventures	(61,687,106)	–	–
Share of other comprehensive expense of associates	(22,946,650)	–	–
Exchange difference on translation of financial statements of subsidiaries	(24,930,611)	(38,033,315)	189,831,932
Other comprehensive expense for the year, net of tax	(109,564,367)	(38,033,315)	189,831,932
Total comprehensive income for the year	664,992,045	868,383,868	1,616,751,758
Attributable to:			
Owners of the Company	666,255,014	839,049,930	1,566,248,485
Non-controlling interests	(1,262,969)	29,333,938	50,503,273
	664,992,045	868,383,868	1,616,751,758

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2018	**2019**	**2020**
	HK$	*HK$*	*HK$*
	(restated)	*(restated)*	
Non-current assets			
Property, plant and equipment	50,306,802	44,442,778	43,024,381
Right-of-use assets	–	198,816,453	261,160,927
Interests in associates	616,129,195	694,111,792	2,802,695,514
Interests in joint ventures	1,530,135,031	1,767,145,239	2,250,617,080
Intangible assets	5,784,762	7,873,411	13,102,732
Loans and advances to customers	1,937,238,508	2,586,259,105	2,532,850,675
Financial assets at fair value through profit or loss	2,050,062,983	2,019,540,019	2,827,748,137
Equity instruments at fair value through other comprehensive income	–	–	74,995,842
Debt instruments at amortised cost	–	–	691,327,542
Prepayments, deposits and other receivables	56,872,174	53,971,244	124,386,054
Deferred tax assets	39,551,207	52,944,013	114,937,631
	6,286,080,662	7,425,104,054	11,736,846,515
Current assets			
Loans and advances to customers	1,455,679,208	2,021,356,134	1,700,157,808
Accounts receivable	1,071,723,828	3,564,300,968	4,936,091,740
Repurchase agreements	–	23,237,647	588,907,205
Prepayments, deposits and other receivables	98,448,925	167,582,535	142,102,771
Tax recoverable	–	–	30,838,288
Amount due from immediate holding company	–	39,606,045	–
Derivative financial assets	–	3,030,655	–
Financial assets at fair value through profit or loss	3,557,463,837	6,026,910,824	6,381,307,742
Debt instruments at amortised cost	–	–	403,146,690
Cash held on behalf of customers	4,202,743,461	4,299,194,658	11,310,465,917
Cash and bank	3,526,307,743	2,861,536,540	3,208,874,513
	13,912,367,002	19,006,756,006	28,701,892,674

	As at 31 December		
	2018	2019	2020
	HK$	*HK$*	*HK$*
	(restated)	*(restated)*	
Current liabilities			
Accounts payable	4,638,512,849	6,362,816,233	14,036,188,947
Other payables and accrued expenses	1,078,929,904	1,620,952,142	1,720,965,508
Bonds sold under repurchase agreement	–	1,563,990,083	930,120,331
Loans from immediate holding company	1,035,808,690	1,681,684,986	1,484,142,300
Amount due to immediate holding company	145,355,899	–	29,126,291
Bank and other borrowings	989,762,293	1,537,907,791	4,361,284,272
Tax payable	142,286,571	182,800,292	177,300,212
Deferred income	6,302,093	7,527,369	104,709,388
Debt securities issued	–	–	2,325,510,000
Notes payable	–	462,491,051	1,832,108,321
Financial liabilities at fair value through profit or loss	1,260,639,332	1,053,905,448	873,522,919
Lease liabilities	–	57,567,228	79,257,713
	9,297,597,631	14,531,642,623	27,954,236,202
Net current assets	4,614,769,371	4,475,113,383	747,656,472
Total assets less current liabilities	10,900,850,033	11,900,217,437	12,484,502,987
Non-current liabilities			
Other payables and accrued expenses	–	–	120,359,815
Deferred tax liabilities	6,640,489	12,377,309	199,918,371
Deferred income	46,335,054	29,235,474	30,727,050
Debt securities issued	2,349,210,000	2,336,160,000	–
Financial liabilities at fair value through profit or loss	2,837,540,944	3,131,340,513	4,412,567,764
Other liabilities	44,708,029	15,393,161	46,464,210
Lease liabilities	–	145,031,975	196,012,620
	5,284,434,516	5,669,538,432	5,006,049,830
Net assets	5,616,415,517	6,230,679,005	7,478,453,157
Capital and reserves			
Share capital	3,265,793,396	3,265,793,396	3,265,793,396
Reserves	2,154,858,204	2,877,628,134	4,180,886,619
Equity attributable to shareholders of the Company	5,420,651,600	6,143,421,530	7,446,680,015
Non-controlling interests	195,763,917	87,257,475	31,773,142
Total equity	5,616,415,517	6,230,679,005	7,478,453,157

RISK FACTORS

An investment in the Notes involves a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Notes. The following describes some of the significant risks relating to the Issuer, the Guarantor, the Group and its business, the market in which the Group operates and the Notes. Some risks may be unknown to the Issuer, the Guarantor and the Group and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations or prospects of the Issuer, the Guarantor and the Group. The market price of the Notes could decline due to any of these risks, and investors may lose part or all of their investment. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Issuer, the Guarantor or the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular. The Guarantor and the Group may be affected materially by requirements and restrictions that arise under PRC laws, regulations and government policies in nearly all aspects of its business in the PRC.

The risks described below are not the only risks that may affect the Group or the Notes. Additional risks and uncertainties of which the Group is not aware or that the Group currently believes are immaterial may also adversely affect the Group's businesses, financial condition and results of operations. If any of the possible events described below occur, the Group's businesses, financial condition and results of operations could be materially and adversely affected. In such case, the Group may not be able to satisfy its obligations under the Notes, and investors could lose all or part of their investment.

The statements below regarding the risk factors of holding any Notes are not exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE GROUP'S BUSINESSES

General economic, political and market conditions could materially and adversely affect the Group's business

The Group's business, financial condition, results of operations, prospects and ability to access liquidity may be impacted by macroeconomic and political risks. In particular, the Group's business is highly dependent on economic and market conditions in the PRC and Hong Kong, which in turn may be affected by global market conditions.

In February 2021, the PRC Government reported GDP for the whole year of 2020 of RMB101.5986 trillion, representing year-on-year growth of 2.3 per cent. Although the PRC Government has recently taken several measures and actions with an aim to increase investors' confidence in the PRC economy, there can be no assurance that those measures will be effective. Furthermore, the sustained tension between the United States and China over trade policies could undermine the stability of the global economy. The United States and China have been involved in disputes over trade barriers that have escalated into a trade war between the two countries. Both countries have implemented tariffs on certain imported products from the other, casting uncertainty over tariffs and barrier to entry for products on both sides. The two governments have entered into an initial phase one agreement to resolve the disputes on 15 January 2020. However, there are uncertainties as to when and whether the phase two negotiations will begin and whether the two governments will fulfil their respective obligations under the phase one agreement. There are also uncertainties between the United States and China given the newly elected administration of President Joseph R. Biden, whose policy and strategy remain to be seen.

In addition, on 31 January 2020, the United Kingdom officially exited the EU (such exit by the United Kingdom from the EU membership, "Brexit") following a UK-EU Withdrawal Agreement signed in October 2019. In December 2020, the United Kingdom, the European Union and the European Atomic Energy Community concluded the EU-UK Trade and Cooperation Agreement, which is provisionally applicable since 1 January 2021 and awaits ratification by the European Parliament and the Council of the EU and legal revision before it formally comes into effect. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the UK, the EU and globally. This event has resulted in a downgrade of the credit ratings of the United Kingdom and the uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets. Moreover, there are ongoing concerns about European sovereign debt levels, negative interest rate and the consequences for economic growth and investor confidence in the Eurozone, political gridlock in the United States over government spending, debt levels and civil rights issues and the consequences for economic growth and investor confidence in the United States, and the uncertainty around the Federal Reserve's future monetary policies. All these would add to the uncertainties relating to the overall prospects for the global and the PRC economies, which may have a material adverse impact to the Group's business, prospects, financial conditions and results of operations.

Any further significant falls or increased volatility and instability may further impact global capital markets potentially making it more difficult for the Group to access financing or impacting the Group's clients' interest in products and services, as well as the health of their businesses generally.

Volatility in the capital markets in the United States, Europe, Japan, the PRC, Hong Kong and other jurisdictions in recent years has had a corresponding effect on Asian financial markets and may continue to do so in the future. Unfavourable financial or economic conditions, such as those caused in recent years by the global financial and economic crisis, including the European debt crisis, Brexit, the trade war between China and the United States, the civil disobedience movements in Hong Kong and volatility in the United States and PRC stock markets, have adversely affected investor confidence. Weakening investor confidence has resulted and could continue to result in significant declines in the number and size of transactions in which the Group participates and/or invests. Any decline in the number of capital markets and other transactions in the PRC and Hong Kong due to unfavourable financial or economic conditions may adversely affect the Group's business. Similarly, market volatility and adverse financial or economic conditions may also adversely affect the Group's business.

For example, in the case of the Group's asset management and wealth management business, such conditions tend to reduce the value of the Group's clients' portfolios, discourage investor confidence and reduce investing activities, making it more difficult for the Group to maintain existing clients and attract new clients. Likewise, the market volatility may result in price fluctuations and a decline in trading volumes, which in turn may adversely affect the Group's equities and structured finance businesses revenue. Similarly, the value of the Group's investments in bond and equity instruments may be affected by volatility in the capital markets, thereby adversely impacting the Group's results of operations and profitability.

The Group's business, financial position and operating results, as well as its future prospects, could be materially and adversely affected in the event of any downturn in the global or regional capital markets. A reduction in the Group's income or a loss resulting from its corporate finance, asset management, wealth management, equities and structured finance businesses could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group operates in the highly competitive financial services industry

The financial services industry in Asia, and in particular the PRC and Hong Kong, houses a large number of participants and is highly competitive. For instance, as at 31 December 2020, the total number of Exchange Participants (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**")) on the Hong Kong Stock Exchange was 714. There were 1,448, 374, 1,700, 332 and 1,878 corporations licensed to carry on Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO, respectively according to market and industry statistics published on the website of the Securities and Futures Commission of Hong Kong ("**SFC**") as at 31 December 2020.

The Group, through its subsidiaries which are licensed corporations in Hong Kong, is currently engaged in Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities. The industry has a low entry barrier as new participants are able to enter as long as they have engaged professionals with the appropriate skills and have obtained the requisite licences and permits to engage in the various types of activities regulated under the SFO.

The Group competes on the basis of a number of factors, including price, products and services, innovation, transaction execution capability, reputation, experience and knowledge of staff and employee compensation. Apart from the multinational financial institutions including commercial banks and investment banks with global networks and a local presence in the PRC and Hong Kong and other PRC and Hong Kong based securities houses and asset management firms, the Group faces further competition from other financial services firms with similar target clients and offering a similar range of products and services including traditional and online brokerage services, debt and equity financing, asset management and corporate finance businesses. Historically, competition in these businesses has been fierce. Over the past decade, online securities brokerage and financial information portals have become prevalent, intensifying competition for online business revenue. In recent years, as the asset management and brokerage market in the PRC and Hong Kong has become more saturated, banks and brokerage firms rolled out low management fees, prolonged commission-free concessions or extra-low fixed commissions as incentives to attract customers, intensifying the competition in this industry. The Group expects that competition in corporate finance, asset management, wealth management and equities business, which are the Group's core business, will continue to be intense. As there have been a significant number of new entrants to the market, the Group has to compete with new competitors offering attractive commissions, new platforms and product types and other incentives to develop their businesses in the early stages. The Group's business may be adversely affected if new entrants increase their size, reputation and client base through these incentives, by attracting current clients of the Group. Even if the Group's current clients remain as clients of the Group, these new entrants may undermine the Group's expansion strategy and may have a material adverse effect on the Group's business, results of operations and financial condition.

There can be no assurance that the Group can compete effectively against its current and future competitors or maintain its competitive strengths even if it can respond rapidly to the changing business environment and/or capture new market opportunities. Competitive forces in the market may alter the industry landscape such that the Group's business objectives would become impractical and/or impossible. The Group's inability to remain competitive could lead to a reduction in its market share (as its clients are not bound to use its services and can freely switch to other service providers and/or decrease their use of its services), and any intensification of competition in terms of pricing may lead to reduced profit margins. Under those circumstances, the Group's operating performance, financial results and prospects may be materially and adversely affected.

The Group faces various risks associated with its corporate finance business

The Group is exposed to transaction-specific execution risks for each securities offering it underwrites or places and for each M&A transaction that it advises. The Group generally receives payment of underwriting and placement commissions or advisory fees only after it successfully completes a transaction. If a project is not completed as scheduled or at all for any reason, including weak investor interest or a failure to receive the relevant listing or regulatory approval, the Group may not receive payment for its advisory and capital financing services in a timely manner, or at all, which may materially and adversely affect its business, financial condition, results of operations and prospects. Due to the exposure of this business line to what can be volatile markets and regulatory changes (particularly in the PRC and Hong Kong), revenue from this part of the business is likely to be unpredictable and unstable. Markets may be subject to long periods of downturn and transaction sizes may be lower on an individual or overall value basis due to local or global economic conditions, the prevailing interest rate environment, overall investor sentiment and more stringent regulatory developments, and during such periods, the Group is unlikely to be able to draw significant revenue from this business segment, revenue being dependent on successful transaction execution.

The performance of the Group's underwriting activities may severely deteriorate during periods of sluggish and volatile market conditions when the securities underwritten by the Group are undersubscribed and the Group and other underwriters/sub-underwriters are required to take up unsubscribed securities. If the Group fails to sell the securities it underwrites, it would suffer reputational damage, as well as incur expenditure to purchase and hold the underwritten securities, thereby materially and adversely affecting its business, financial condition, results of operations and prospects.

In addition, companies that wish to list their securities in Hong Kong require a sponsor to assist with their listing application. Should the Group act as a sponsor in the future, it would be required to fulfil certain due diligence and disclosure requirements in connection with each project it sponsors and would be subject to regulatory sanction, civil and criminal liability in relation to its role as sponsor and the disclosure provided to investors if any relevant or applicable regulations are breached

Furthermore, the SFC has imposed heightened scrutiny on sponsor activities in connection with Hong Kong IPOs and levied hefty fines and imposed penalties on sponsors that violated relevant laws, regulations and rules of conduct. The increasingly stringent regulatory requirement has increased liability for IPO sponsors. There could be even more stringent regulatory requirements in the future. A failure to satisfy these requirements could subject the Group to fines and other administrative or regulatory penalties, including suspension of its licences, or even criminal liability, which may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's asset management business is subject to macroeconomic, strategic, financial, operational and political risks

The Group's revenue from its asset management business consists of asset management fees and performance fees, which are based on the amount and value of its assets under management. General market or macroeconomic volatility may result in a decrease of the unrealised gains of investment assets and/or reduction in dividend income, which in turn may have a material adverse effect on the Group's financial condition and results of operations given the revenue contribution from the asset management business. In the event of a severe downturn in the economy, the asset quality of the Group's portfolio may further deteriorate materially.

In particular, the Group's asset management business is subject to investment, liquidity, market and concentration risks. Currently, the Group provides comprehensive asset management services including secondary market investment, private equity investment and investment advisory services, and offers a range of product lines and strategies covering different asset classes and markets. As such, market conditions and other factors beyond the control of the Group can adversely affect the Group's asset management business, results of operation and financial condition.

Consequently, investment performance affects the amount of the assets under the Group's management and is one of the most important factors in retaining clients and competing for new asset management business. Poor investment performance could adversely affect the Group's revenue and business growth because:

- existing clients might withdraw funds from the Group's asset management business in favour of better performing products provided by its competitors, which would result in a decrease in asset under management ("**AUM**") and reduction of management fees for the Group;

- clients may require the Group to reduce its fees for asset management services, particularly in an intensely competitive industry; and

- the Group's performance fees (if any), which are based on a percentage of investment returns, could decline.

There can be no assurance that the Group will be able to keep or increase the assets under the Group's management. To the extent the Group may fail to keep or increase the assets under its management due to increasing competition from insurance companies, trust companies, banks and other competitors, its business, financial condition, results of operations and prospects would be adversely affected.

The investment portfolio profile of the Group's private equity investment platform may change from time to time depending on various factors, including market conditions, investment opportunities, business strategies and the investments and divestments undertaken by the Group. The Group utilises its distribution channels within the CMB Group, as well as engages its own high-net-worth professional investors, family trusts and institutional investors through direct sales and third-party distribution channels. There is, however, no guarantee that these distribution channels will be the main distribution channels of the Group in the future and the risk appetite and investment strategy of the Group in relation to its investment portfolio may change over time. Furthermore, the private equity investment business of the Group generally involves direct equity investments in private companies and management of private equity funds and there is no guarantee that the Group will always be able to make good investment decisions and the investment returns of the Group thereunder may be uncertain.

Fluctuations in stock markets could affect the Group's financial assets as well as its clients' appetite for its products and services

Fluctuations in stock markets could affect the Group's investments and financial assets and the level of client interest in certain of its products and services. There has been significant volatility in PRC stock markets in the past, and this volatility has impacted global markets, and in particular the Hong Kong stock market, due to its increasing financial reliance upon the PRC. In early 2020, due to the COVID-19 pandemic, the PRC stock market experienced significant drop. Although it has since recovered, the PRC stock market remains volatile. Any further significant falls or increased volatility and instability may further impact global capital markets, potentially making it more difficult for the Group to access financing or impacting the Group's clients' interest in products and services, as well as their businesses generally. The market volatility may also negatively affect PRC consumer confidence and have an adverse impact on the wider PRC and Hong Kong economies.

Poor market conditions could affect the value of financial assets while favourable market conditions may not be sustainable. Lack of liquidity or price volatility could reduce the value of the financial assets that the Group invests in or manages which, in turn, may have a material adverse effect on its business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

A reduction in agency and brokerage commission rates or trading activities by the Group's clients may materially and adversely affect the Group's business, financial condition, results of operations and prospects

Revenue from the Group's equities business is primarily derived from the commissions the Group charges its clients for their trading activities. Accordingly, revenue from the Group's equities business depends significantly on trading volume. Trading volume is influenced by market conditions in Hong Kong, the PRC and major overseas financial markets, which may be adversely affected by events including the outbreak of contagious disease, debt crisis, the significant volatility in the stock market and the trade wars between countries. In addition, the Group's equities business could also be adversely affected by a reduction in agency and brokerage commission rates as a result of increased competition in the Hong Kong securities and brokerage markets.

The expansion of, and changes to, the Group's business, product and service range exposes it to various risks, and the Group may not succeed in such efforts

The Group may seek to introduce new product or service groups, pricing and credit assessment analysis methods and uses of data in order to retain existing customers whose needs have evolved, and to attract new customers for whom the existing product offering are unattractive or ineffective and/or for whom more competitive pricing and/or more sophisticated underwriting processes are required.

However, there can be no assurance that the Group will be able to achieve the administrative, systems-related and logistical improvements necessary to achieve its goals and other aspects of its growth effectively. In addition, competition for highly skilled business, technical and other personnel is high due to the increasing competition in the financial services industry.

Accordingly, the Group's personnel expenses may increase, or it may have difficulty in recruiting and retaining properly qualified personnel. Furthermore, to the extent its business model and practices are unfamiliar to regulators, the Group may encounter unexpected restrictions on its planned activities. If the Group is unable to achieve the intended results from the expansion of its range of products and services as a result of the unsuccessful execution of the conception, planning and/or implementation of its strategies and methods, the Group's business, results of operations and financial condition may be materially and adversely affected.

In addition, the Group may pursue acquisitions or joint ventures in the course of its business expansion. Failure to integrate the acquired entities in a cost-efficient manner or disagreements between the Group and the joint venture partners and other entities, or their inability or unwillingness to continue their arrangements with the Group due to financial difficulties or other reasons, may frustrate the Group's expansion plans, materially increase the costs associated with such expansion plans or divert the management's attention from other areas of the Group's operation.

Further, the success of the Group's operations depends on, among other things, the proper timing on launching new businesses, products and services to clients. As a result of the Group's business operating in a highly competitive environment, any delay or failure to introduce new businesses in time or in response to market demand, or any failure of the Group's new products and services to gain timely market acceptance could adversely affect the overall businesses and financial performance of the Group.

As a wholly-owned subsidiary of CMB, a substantial portion of the Guarantor's business development relies on support from, and relationships with, the CMB Group

The Guarantor is a wholly-owned subsidiary of the CMB Group. A substantial proportion of the Group's business opportunities originates from taking advantage of the network and financial support of the CMB Group. The CMB Group supports the Group's development in various way, in particular, through capital injections, asset injections and intra-group lending. See "*Description of the Group – Competitive Strengths – Robust support from CMB creating strategic synergy and competitive strength*". Whilst the Group conducts business with a variety of clients across its markets and plans to continue to diversify its client base across its business lines, in some areas its business is based on the relationships it has built through clients and resources shared by the CMB Group, and collaborating with the CMB Group. In the event that the CMB Group changes its strategy or provides less support to the Group, this could impact the Group's relationship with its clients and have a material adverse effect on the Group's business, revenue, fee income, results of operations and financial condition.

Furthermore, the Group reports to the CMB Group for approvals in relation to its risk indicators regularly and must operate within the boundaries and limits set by the CMB Group in respect of the systems, operations, governance and strategy. This may restrict or delay the Group's individual business management or strategy which may adversely affect its financial performance and operation. The CMB Group also exerts, and is expected to continue to exert, influence over the risk control, management and human resources functions of the Group, including the appointment and removal of the board of directors of the Group (the "**Board of Directors**"). Accordingly, the CMB Group has, and will have, significant control over the management and overall operation of the Group, and any decisions it makes will have regard to various factors, including the overall interests of the CMB Group.

The Group may be indirectly affected by any damage to reputation or brand, including as a result of negative publicity, with respect to the CMB Group

The Group's operations across its principal business lines are dependent on customers' confidence in the Group's business and the support of the CMB Group and therefore the Group and the CMB Group's brand and reputation, which are vital to the success of its business. This makes the Group vulnerable to negative publicity and market perceptions that may be difficult or impossible for it to control, especially those in relation to the wider CMB Group.

Brand or reputation can be negatively impacted by a large number of events both within and beyond the Group's control, including failure in IT or data breach, an adverse claim, even frivolous and vexatious, made against a member of the CMB Group, whether successful or not, and perceived deteriorations in financial strength, regulatory sanctions or incidents of fraud. In addition, customers or potential customers may not be able to identify scam websites that plagiarise the CMB name but are actually run by scammers unrelated to the CMB Group, and if customers suffer losses because of such scam websites, they may nonetheless attribute their losses to the CMB Group and lead to damage of the CMB brand. If its reputation or brand is damaged, the Group could lose existing customers, find it difficult to cultivate new businesses and face more stringent regulatory oversight. Each of these may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Neither the Guarantor's nor the Issuer's shares are listed, and as such neither the Guarantor nor the Issuer is subject to the continuous disclosure requirements that a listed company would be

Neither the Guarantor nor the Issuer is currently listed on any stock exchange therefore they are not subject to requirements to produce and maintain public information relating to their respective business or to publicly publish financial information or other information that would be required if they respectively did have an equity listing in Hong Kong or elsewhere. Whilst requirements will be imposed on the Issuer and the Guarantor relating to disclosure of financial information, the disclosure of interests of shareholders and directors in shares and debentures and other information material to investors for issues of listed Notes under this Programme, these requirements are not as stringent as those which would apply to a primary or secondary equity listing. The Issuer and the Guarantor are also not subject to, and will not become subject to, by virtue of establishing this Programme or issuing listed Notes under this Programme, the requirements that apply to companies with a primary or secondary equity listing in Hong Kong or elsewhere, including corporate governance standards, restrictions on directors' dealings in securities, controls on connected party transactions, requirements for notification and, in some cases, approval of major acquisitions and disposals, conditions on further debt and equity issuance and certain other ongoing disclosure requirements. In addition, there is limited historical information available in relation to certain of the Group's business. Accordingly, investors should exercise caution in reviewing the historical financial information presented to them and implying or extrapolating trends based thereon.

The Group's private equity investment business may be exposed to certain concentration risks

A significant portion of the Group's portfolio in its private equity investment business is concentrated in certain specific industries, including renewable energy, technology, healthcare and manufacturing. The Group may therefore be exposed to concentration risk with respect to its business operations which could have an adverse effect on its financial condition and results of operations.

The Group may be exposed to currency risk as a result of movements in foreign exchange rates

The Group's major transactions are denominated in Hong Kong dollars, United States dollars and Renminbi and its financial statements are presented in Hong Kong dollars. Although the Hong Kong dollar has been linked to the U.S. dollar since 1983, there can be no assurance that such linkage will be maintained in the future. In order to ensure continued liquidity of the Hong Kong dollar, the Hong Kong Monetary Authority has entered into bilateral repurchase agreements with the central banks or monetary authorities of various jurisdictions including Australia, the PRC, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore and Thailand. In addition, the Hong Kong Government has in the past expressed its commitment to maintaining exchange rate stability under the linked exchange rate system, an automatic interest rate adjustment mechanism. However, there can be no assurance that the Hong Kong dollar will continue to be linked to the U.S. dollar or that, in the event of a liquidity problem affecting the Hong Kong dollar, such bilateral repurchase agreements or the automatic interest rate adjustment mechanism will help to maintain adequate liquidity for the Hong Kong dollar. Any discontinuation of the linkage of the Hong Kong dollar to the U.S. dollar (and its corresponding impact on the Hong Kong economy) and any general fluctuations in the Renminbi, Euro and United States dollar exchange rates may adversely affect the Group's business, financial condition and results of operations.

The Group is exposed to the credit risk of its trade and financial counterparties

The Group operates and is expanding its business in both Hong Kong and cross-border markets. This will increasingly expose the Group to the credit risk of its trade and financial counterparties normally associated with cross-border business transactions and activities, including those relating to delayed payments from customers or difficulties in the collection of receivables. There is no assurance that, even with the Group's experienced finance and accounting team, a customer will settle outstanding invoices on time. Failure to collect receivables could adversely affect the Group's cash flow and financial position.

Interest rate fluctuations may adversely affect the Group's businesses

The Group's business performance is affected by fluctuations in interest rates which could adversely affect financial market conditions. For example, a decrease in interest rates, although decreases the Group's costs of funds, may also limit the Group's interest income, impact the value of its fixed income investment and affect its financial results. Interest rates volatility may also affect stock market performance and general market sentiment, indirectly adversely impacting the Group's business performance.

The Group requires sufficient funding to support the Group's business and may not maintain sufficient liquidity to meet such needs

Maintaining adequate liquidity is crucial to the Group's business operations as the Group continues to expand the its corporate finance, asset management, wealth management, equities and structured finance business, as well as other business activities which require substantial cash. Any failure to maintain adequate liquidity may materially and adversely affect the Group's business, financial condition and results of operations. A reduction in the Group's liquidity could also reduce the confidence of the Group's clients or counterparties in the Group, which may lead to losses of business and clients.

In addition, the Group may need additional funding in order to, among other things, support the Group's expansion, develop new or enhanced services and products, or acquire complementary businesses or technologies. When cash generated from the Group's operating activities is not sufficient to meet the Group's liquidity or regulatory capital needs, the Group must seek external financing. However, there can be no assurance that such additional funding will be available when needed on commercially reasonable terms favourable to the Group, or at all, especially during periods of disruptions in the credit and capital markets where potential sources of external financing could be limited and the Group's borrowing costs could increase. The Group's inability to raise such funds may materially and adversely affect the Group's growth prospects.

The Group's businesses are highly regulated and are subject to regulatory and litigation risks which could have a material adverse effect on the Group's business, results of operations and financial condition

Financial Services Regulation

As a participant in the financial services industry, the Group is subject to extensive laws, regulations, rules, policies, guidance and codes of conduct of relevant regulatory authorities and faces the risk of intervention by regulatory authorities in Hong Kong. Across the financial services industry, regulatory bodies have recently looked to strengthen regulation and take a rigorous approach to compliance, investigation and imposition of penalties. Key regulations in Hong Kong governing the financial services industry include the SFO and the Money Lenders Ordinance (Cap. 163) of Hong Kong (the "**MLO**"), Insurance Ordinance (Cap. 41), HKSE Rules and the Codes on Takeovers and Mergers and Share Repurchases. Financial services laws, regulations, rules, guidance, codes of conduct, government policies and/or their respective interpretations currently affecting the Group may change and, although the Group monitors developments, it cannot predict future initiatives or changes. A failure to comply with these rules and regulations may subject the Group to enquiries and/or investigations by the relevant regulatory bodies, which may result in fines, censure, reprimand or even suspension or revocation of licences. If the Group fails to comply with any regulatory requirements in the future, the Group and its employees may become the subject of inquiries or investigations by the relevant regulatory authorities.

Where penalties are substantial or protracted litigation is involved, the Group's reputation and financial position may be jeopardised. In such cases, there may be a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, new laws or regulations or changes in enforcement or interpretations of existing laws or regulations, or heightened regulatory scrutiny or increasingly hefty fines that could be applied to or imposed on the Group's businesses or those of its clients may adversely affect the Group's ability to compete effectively with other institutions that are not affected in the same way.

Regulatory Approval and Licensing

Withdrawal or amendment of any regulatory approval or of any exemption from registration in respect of any part of the Group's activities in any jurisdiction might compel termination of a particular business or change the way in which it is conducted. The licensing and regulatory approvals are becoming increasingly stringent for the Group's employees in Hong Kong and the PRC. The Group relies on its employees to conduct regulated activities, such as investment consulting and asset management, and, therefore, the withdrawal of either a licence or an approval of one or more individuals would hinder their ability to perform their current role. Conducting regulated activities by unauthorised persons could have material adverse consequences for the Group including vitiation or nullification of otherwise valid business agreements made in the normal course of business.

The Group may also have to respond to any material changes in legislation or regulation which could potentially affect its business by adapting its business model or products in the relevant market. There can be no assurance that the Group will be able to effectively respond to any such changes and this may affect the Group's operations and the conduct and success of its business in the relevant market. If the relevant market is a significant or important market to the Group, this may undermine the Group's expansion strategy and may have a material adverse effect upon the Group's business, results of operations and financial condition. Even if the Group could cope with such changes in legislation or regulations, this would invariably increase the compliance costs of the Group.

If the Group fails to comply with any rules and regulations, it may become subject to enquiries and/or investigations by the relevant regulatory bodies, which may result in heavy fines, suspension or revocation of licences or restrictions on the Group's business activities. If results of any investigations or enquiries are proved to involve serious misconduct, the Group may become subject to penalties including censure, reprimand and fines. In extreme cases, the Group may be prevented from conducting business in a normal manner and some or all of the Group's operation licences may become suspended or revoked. Where penalties are substantial or protracted litigation is involved, the Group's reputation and financial position may be damaged. In such cases, there may be a material and adverse impact on the Group's business, financial condition, results of operations and prospects.

Regulatory Requirements on Due Diligence

Changes in regulations relating to the due diligence process for primary offerings in capital markets, including but not limited to initial public offerings of shares could create more onerous obligations on the part of sponsors, bookrunners and other parties in the offering process, with an increased risk of non-compliance. The performance and prospects of the Group's corporate finance business may be adversely affected if tighter due diligence requirements result in the non-compliance of such regulatory requirements by the Group. See "– *The Group faces various risks associated with its corporate finance business.*"

The Group may be subject to claims of mis-selling

The Group offers a number of financial products directly to corporate and institutional investors and to private investors through intermediaries or distributors. If these investors suffer losses on such financial products, they or their advisers may seek compensation from the Group on the basis of allegations that the financial products were mis-sold, the products are not suitable for the investors or that assignment of risks are improper and in violation of relevant financial regulations, or that the prospectuses, offering circulars or other marketing materials contained erroneous information or failed to disclose material information the omission of which rendered the content therein misleading or that misleading marketing materials were provided to or supplied by intermediaries. Despite the policies enacted by the Group guiding employees on the appropriate selling procedures, it is possible that the Group has rogue or fraudulent employees who do not comply with such policies. Any potential legal action undertaken by investors for mis-selling may be successful and this could in turn adversely affect the business, financial condition, results of operations and/or prospects of the Group. Any claim for mis-selling may also result in regulatory investigation and censure and may damage the reputation of the Group.

There could be conflicts of interest arising out of the different roles played by the Guarantor and CMB International Capital Limited, as Arranger and Dealer for the Programme, and the Guarantor's other activities may affect the value of the Notes

CMB International Capital Limited, the Arranger and Dealer for the Programme, is a wholly-owned subsidiary of the Guarantor, which, in turn, is a wholly-owned subsidiary of the CMB Group. Potential and actual conflicts of interest may arise from the different roles played by the Guarantor on the one hand, and CMB International Capital Limited (as the Arranger and Dealer for the Programme) on the other hand, in connection with the Notes. The economic interests in each role may be adverse to the investors' interests in the Notes. Although the Guarantor has internal control policies and procedures to minimise any potential conflict of interest, the Guarantor does not guarantee that such potential conflict of interest will be completely eliminated, and the Guarantor owes no duty to investors to avoid such conflicts. In addition, any of the Guarantor, the CMB Group or their respective subsidiaries may also issue other competing financial products which may affect the value of the Notes.

The Group's businesses and prospects may be materially and adversely affected if it fails to maintain its risk management and internal control systems or these systems are proved to be ineffective or inadequate

The Group has established effective risk management control systems which are at the same time in line with the internal control requirements of the CMB Group. Certain areas within its risk management and internal control systems may require constant monitoring, maintenance and continual improvements by its senior management and staff. The Group's businesses and prospects may be materially and adversely affected if its efforts to maintain these systems are proved to be ineffective or inadequate.

Deficiencies in the Group's risk management and internal control systems and procedures may adversely affect its ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as adversely impact its ability to identify any reporting errors and non-compliance with rules and regulations.

The Group's internal control system may contain inherent limitations caused by misjudgement. As a result, there can be no assurance that its risk management and internal control systems are adequate or effective notwithstanding its efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and disciplinary actions or even prosecution being initiated against the Group or its employees, disruption to its risk management system. In such cases, there may be a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

System and technological failures or ineffectiveness, failure of business continuity planning, corruption of databases and service disruption may occur and could result in additional administrative and remediation costs, loss of business and profits and/or cause reputational damage to the Group

The performance of the Group's businesses depends heavily on its ability to process transactions efficiently and accurately. The Group's ability to develop business systems, monitor and manage collections, maintain financial and operating controls, settlement, monitor and manage its risk exposures across the Group, keep accurate records, provide high-quality customer service and develop and sell profitable products and services in the future depends on the success of its business continuity planning, the uninterrupted and efficient operation of its information and communications systems (including its information technology system) and the successful development and implementation of new systems.

However, in common with information technology systems generally, losses can result from inadequate or failed internal control processes and protection systems, human error, fraud or external events that interrupt normal business operations. This may result in a loss of data, a failure to provide quality service to customers and could in limited instances cause incorrect trades to be executed. The Group's information technology, databases and other systems may be subject to damage or interruption from earthquakes, volcanic eruptions, floods, fires, power loss, telecommunication failures and similar events as well as to damage from the introduction to its systems of incorrect programming language and configuration by its employees, system providers and contractors.

The Group routinely transmits and receives personal data, confidential and proprietary information through the Internet, by email and other electronic means and may not be able to ensure that its clients, vendors, service providers, counterparties and other third parties have appropriate controls in place to protect the confidentiality of the information. An interception or mishandling of personal, confidential or proprietary information being sent to or received from these third parties could result in legal liability, regulatory action and reputational harm, and the Group's efforts to ensure that these third parties have appropriate controls in place may not be successful.

In addition, the Group has adopted an advanced online trading platform and mobile applications ("**APP**"), such as "壹隆環球" (Yat Lung GloBal), for its clients in relation to certain services such as securities trading and account opening. Usage of the Group's online trading services may be adversely affected for a number of reasons, such as unavailability of high-speed access to the internet and telecommunication services. To the extent that the Group's online trading activities involve the storage and transmission of confidential information, security breaches could expose the Group to possible liability and damage the Group's reputation. The Group's networks may be vulnerable to unauthorised access, computer viruses, threats and other disruptive problems. Costs incurred in rectifying any of such disruptive problems may be high and may adversely affect the Group's financial condition and results of operations. Concerns regarding security risks may deter the Group's existing and potential clients from using its online trading services. Eliminating computer viruses, threats and alleviating other security problems may result in interruptions, delays or termination of service to users accessing the Group's online trading services. The Group's inability to sustain a high volume of traffic may materially and adversely affect the success and effectiveness of the Group's online trading platform. Although the Group believes it has well defined measures and procedures in place to mitigate security risks, it could suffer material losses from security risks in the future.

If any of the above risks materialise, the interruption or failure of the Group's information technology and other systems could impair the Group's ability to provide its services effectively causing direct financial loss and may compromise the Group's strategic initiatives.

In addition, it could damage the Group's reputation if customers believe its systems are unreliable which, in turn, could have an adverse effect on the Group's ability to collect loan repayments from customers and to attract new and retain existing customers. Technology failure or underperformance could also result in a higher number of customer and employee disputes and may increase the Group's litigation and regulatory exposure or require it to incur higher administrative costs (including remediation costs). Further, an irrecoverable loss of any customer database and/or data would be expensive and time-consuming to endeavour to retrieve or recreate, would have a material adverse effect on the Group's business, operations and financial situation and may damage its reputation and brand.

Cyber attacks and security breaches may threaten the integrity of Group's intellectual property and other sensitive information and disrupt its business operations, which could adversely affect its reputation, business and financial position

The Group faces global cybersecurity threats, which may range from uncoordinated individual attempts to sophisticated and targeted measures directed at the Group. Cyber attacks and security breaches may include, but are not limited to, unauthorised attempts to access information, electronic break-ins, computer viruses, ransomware, sabotage, vandalism, denial of service and other electronic security breaches. The same is true of third-party service providers and software providers on which the Group depend. Cyber attacks and security breaches may cause loss of information and limited access to systems, theft of sensitive data, including confidential personal information related to the Group's clients, technical and marketing information, disruptions to operations and breakdown of internal control system. The economic costs to the Group to eliminate or alleviate cyber attacks and security breaches could be significant and may be difficult to estimate or calculate because the loss may differ based on the identity and motive of the programmer or hacker, which are often difficult to identify. Further, the perpetrators of cyber attacks and security breaches are not restricted to specific groups or persons. These attacks may be committed by company employees or external actors operating in any geography, including jurisdictions where law enforcement measures to address such attacks are unavailable or ineffective, and may even be launched by or at the behest of nation states. In addition, new and amended PRC regulatory requirements regarding network security and information protection have been adopted in recent years to further strengthen the regulation in those areas, which may require the Group to devote significant resources to establishing and maintaining compliance with such new or amended legislation or regulations.

Although the Group has not experienced any material cybersecurity incidents in the past, there is no guarantee that the Group will not experience them in the future. Due to the evolving nature of cybersecurity threats, the scope and impact of any future incident cannot be predicted. While the Group devotes significant resources to security measures to safeguard its systems and mitigate potential risks, such as deploying network protection devices and performing regular security assessment, there is no assurance that such actions will be sufficient to prevent cyber attacks or security breaches that manipulate or improperly use the Group's systems or networks or the systems or networks of third parties that the Group depends on, compromise confidential or otherwise protected information, destroy or corrupt data, or otherwise disrupt the Group's operations. The occurrence of such events could negatively impact the Group reputation, damage the Group's relationship with its clients, and its competitive position and could result in litigation with third parties, regulatory action, loss of business, potential liability and increased remediation costs, any of which could have an adverse effect on the Group's financial condition and results of operations.

Any business disruptions resulting from acts of God, acts of war, epidemics and other factors outside of the Group's control could affect the Group's business and might result in substantial costs

The Group's business is subject to general, social and political conditions. The Group's business would be adversely affected by any unexpected events, including but not limited to riots, fire, power, strikes, civil or social disruption, outages, natural disasters, terrorist activities, equipment or system failures, industrial action and environmental issues, which may adversely affect the Group's business, financial condition and results of operations. Any future occurrence of natural disasters such as earthquakes, typhoons, floods, cyclones or other adverse weather conditions, acts or threats of terrorism, or outbreaks of epidemics and contagious diseases, which may include the novel coronavirus pneumonia ("**COVID-19**"), avian influenza, severe acute respiratory syndrome, and swine influenza from H1N1 or other strains, materially and adversely affect the economy and infrastructure and may hence increase the cost of doing business or otherwise adversely affect the Group's operations or those of its customers or suppliers, thus adversely affecting the Group's business, financial condition and results of operations. The outbreak of an epidemic or contagious disease can result in a widespread health crisis, restrict or suspend the level of production, operational and business activities in the affected areas, disrupt transportation, materially affect labour supply and adversely affect the national economy, which may in turn adversely affect the Group's results of operations, financial condition and business. In particular, on 12 March 2020, the World Health Organisation declared COVID-19 as a global pandemic. The on-going COVID-19 pandemic has resulted in many countries, including China, Japan, the United States, members of the European Union and the United Kingdom, declaring a state of emergency and imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic has significantly disrupted the global economy and global markets and is likely to result in a global economic recession. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. As the COVID-19 pandemic continues to adversely affect business activities globally, governments and central banks across the world have introduced or are planning fiscal and monetary stimulus measures including direct subsidies, tax cuts, interest rates cuts, quantitative easing programmes and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of the COVID-19 pandemic, stabilise the capital markets and provide liquidity easing to the markets. Coupled with the impact of global COVID-19 pandemic, China was faced with decline in domestic consumption, investment, imports and exports over the same period of last year, as well as employment pressure. China has made great progress at the current stage of pandemic prevention and control and the resumption of work and production. The PRC government, at central and local level, and the Government of the Hong Kong have gradually implemented programmes to vaccinate their residents in an effort to allow resuming of activities of society. However, there is no assurance that any such measures will achieve the intended effect or enable economic growth, investment, consumption, imports and exports and other economic activities to recover to their previous level or at all. As a result, the Group's financial positions, business operation and prospects may be materially and adversely affected.

In addition, acts of war and terrorism may cause damage or disruption to the Group or its employees, facilities, markets, suppliers or customers, any of which may materially and adversely impact the Group's revenue, cost of sales, financial condition and operating results. Potential war or terrorist attacks may also cause uncertainty and cause the Group's business to suffer in ways that cannot be accurately predicted.

The Group's business may be susceptible to the operational failure of third-parties

The Group is subject to the risk of operational failure to termination of the services of any of the exchanges, depositaries, clearing agents, outsourced contractors or other financial intermediaries the Group uses to facilitate its business operation. Any operational failure or termination of the services of the particular financial intermediaries or third-party vendors that the Group uses could adversely affect the Group's ability to execute transactions, service its clients and manage the Group's exposure to various risks, and thereby adversely affect the Group's business and reputation.

The Group may not be able to identify money laundering activities or other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and adversely affect its business

The Group is required to comply with applicable anti-money laundering, counter-terrorism financing laws and other regulations in Hong Kong, the PRC and any other jurisdictions in which it operates. These laws and regulations require the Group, among other things, to adopt and enforce "anti-money laundering and counter-terrorist financing" policies and procedures and to report suspicious transactions to the applicable regulatory authorities in different jurisdictions. While the Group has made an effort to comply in all material respects with the applicable law and regulations aimed at detecting and preventing the use of its networks for money-laundering activities and by terrorists and terrorist-related organisations and individuals generally, such effort may not completely, or in a timely manner, eliminate instances where its networks may be used by other parties to engage in money laundering and other illegal or improper activities or report suspicious transaction in a timely manner. Foreign Account Tax Compliance Act ("**FATCA**"), Common Reporting Standard and similar regulation aiming to curb tax evasion, also impose regulatory and compliance obligations on the Group, and any failure to meet such obligations could result in sanctions, fine, litigation and other penalties against the Group. To the extent the Group may fail to comply fully with applicable laws and regulations, the relevant government agencies to which the Group reports have the power and authority to impose fines and other penalties on the Group, which may adversely affect its business.

Changes in tax laws and regulations may adversely affect the Group's business

The Group's business operation is subject to the tax laws and regulations in Hong Kong, the PRC and other relevant jurisdictions. The Group may also be subject to taxation in other jurisdictions as the Group trades or invests in the financial products issued in or provides services in such jurisdictions. Any unfavourable changes in the tax laws and regulations applicable to the Group may have an adverse effect on the Group's business, financial condition and results of operations.

The Group may engage in certain transactions in or with countries or persons that are the subject of U.S. and other sanctions

The United States imposes a range of economic sanctions against certain foreign countries and individuals, of which a recent example is "Addressing the Threat from Securities Investments that Finance Communist Chinese Military Companies" under Executive Order 13959, as amended from time to time. The U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") is the principal government agency charged with administering and enforcing U.S. economic sanctions programmes. These economic sanctions, as administered by OFAC, generally apply to U.S. entities and, in certain cases, to foreign affiliates of U.S. entities, or to transactions that involve, in some manner, U.S. products or otherwise come within the jurisdiction of the United States. The United States also restricts certain exports to foreign entities identified on a list maintained by the U.S. Department of Commerce Bureau of Industry and Security. Other governments and international or regional organisations also administer similar economic sanctions. While the Group has taken comprehensive measures to ensure compliance with applicable sanctions laws, if it is determined that any of the Group's transactions violated OFAC-administered or other sanctions regulations, the Group could be subject to penalties, and the Group's reputation and ability to conduct future business with U.S. entities, or in other affected jurisdictions, could be affected, which may materially and adversely affect the Group's business, financial condition and results of operations.

The Group's operations are dependent upon the services of its executive directors and key management personnel

The Group relies upon the ability, expertise, judgment, discretion, integrity and good faith of its executive directors and senior management team. The Group's success is dependent upon its personnel and its ability to recruit and retain high quality employees. The Group must continue to recruit, retain and motivate management and other employees sufficiently to maintain its current business. This recruitment and retention may have significant cost implications if market remuneration packages increase. In addition, if a member of the key management personnel joins a competitor or forms a competing company, the loss of the services of any such person or several of such persons or failure to recruit suitable or comparable replacements could have an adverse effect on the Group's business, financial condition or results of operations.

The Group's professionals are critical to its ability to attract and retain customers

Hiring and retaining highly skilled professionals is critical to the Group's ability to attract and retain customers. The market for professionals, including investment consultants, underwriting sponsors, research analysts, traders, marketing and customer support staff and information technology and other operations personnel in the Asia-Pacific region, is highly competitive and has grown more so recently as customers focus increasingly on investment performance and as employers such as investment banks and hedge funds increase their recruitment activity. As a result, movement of such individuals among different firms is frequent.

The Group endeavours to provide its employees with competitive compensation and benefits. Failure to obtain or retain the services of key personnel may materially and adversely affect the performance of the Group's products, its ability to develop new products and the attractiveness of its services to potential and current customers.

Misuse of, or failure to control properly, customers' personal or financial information could prove harmful to the Group

The Group is subject to the Personal Data (Privacy) Ordinance (Cap. 486) of Hong Kong which regulates "data users" such as finance companies that use databases of personal information for their businesses and protects the privacy of individuals in relation to personal data. The Group acquires a large amount of personal and financial information relating to its customers. In addition, certain third-party vendors provide services to the Group using personal and financial information of the Group's customers that the Group provides to them. In particular, as the Group relies on third-party encryption and authentication technology to transmit confidential information over public networks, the security of such confidential information may become jeopardised. Improper use or disclosure of, or a failure to protect or properly control, such information could result in violations of the Personal Data (Privacy) Ordinance and other applicable laws, harming the Group's reputation and business. The Group takes precautionary measures to regulate the disclosure or cross-border transfer of customers' personal information, but these measures may not be effective in all cases, particularly in respect of third-party vendors.

Employee misconduct such as fraud could adversely affect the Group's business and reputation

Employee misconduct, which can include violations of laws or regulations concerning the offering and sale of the Group's financial products and fraudulent or otherwise improper activity, could result in regulatory violations and sanctions which could harm the Group's reputation and business, particularly since many of the Group's employees are involved in direct dealing with customers. Common weaknesses that facilitate fraud include the failure to implement effectively a centralised management and supervision, inadequate segregation of duties, insufficient access controls and certain actions taken by employees which are not consistent with the Group's internal control policies. The Group has a robust and solid framework and leverages on the CMB Group's infrastructure, which is intended to reduce the risk of employee misconduct and outside parties' misconduct and fraud. However, the Group may not always be able to timely detect or prevent such misconduct, and this risk cannot be completely eliminated. Instances of employee misconduct in the future could lead to customer complaints, damage claims and litigations, which may have consequences that materially and adversely affect the Group's business, reputation and prospects.

The risk of an unfavourable outcome to litigation against the Group could adversely affect the Group's business, financial condition, results of operations and prospects

The Group is exposed to litigation risk relating to the operations of its businesses on an ongoing basis. While the outcome of any pending or future litigation cannot be foreseen given the inherent unpredictability of litigation, it is possible that an adverse outcome in any one or more matters may have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to arbitration claims and lawsuits in the ordinary course of its business. As at the date of this Offering Circular, the Group is a party to certain legal proceedings. See "*Description of the Group – Legal Proceedings*". Actions brought against the Group may result in settlements, awards, injunctions, fines, penalties and other results adverse to the Group. Predicting the outcome of such matters is inherently difficult, particularly where claims are brought on behalf of various classes of claimants or by a large number of claimants, when claimants seek substantial or unspecified damages or when investigations or legal proceedings are at an early stage. A substantial judgment, settlement, fine or penalty could be material to the Group's operating results or cash flows for a particular period, depending on the Group's results for that period, or could cause the Group significant reputational harm, which could harm its business prospects. In market downturns, the volume of legal claims and amount of damages sought in litigation and regulatory proceedings against securities brokerage companies have historically increased.

RISKS RELATING TO THE PRC

Changes in the PRC's economic, political and social conditions as well as governmental policies could affect the Group's businesses, financial condition and results of operations

A substantial part of the Group's revenue is derived from the PRC and the growth of the Group's businesses depends significantly on the continuation of economic development and growth in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including the structure of the economy, level of government involvement, level of development, growth rate, control of capital investment, control of foreign exchange and allocation of resources. The PRC's economy has been transitioning from a planned economy to a more market-oriented economy. For the past three decades, the PRC Government has implemented economic reform measures to emphasise the utilisation of market forces in economic development. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, the Group may not continue to benefit from all, or any, of these measures. In addition, the Group cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on the Group's current or future businesses, financial condition and results of operations.

The economy of the PRC experienced rapid growth over the past 30 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable.

The future performance of the PRC's economy is not only affected by the economic and monetary policies of the PRC Government, but has been, and in the future will continue to be, materially affected by geo-political, economic and market conditions, including factors such as the liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, currency and commodities prices, investor sentiment, inflation, and the availability and cost of capital and credit. For example, the ongoing trade dispute between the PRC and the United States and the increase in tariffs that the United States plans to impose on Chinese imports have contributed to increased market volatility, weakened business and consumer confidence and diminished expectations for economic growth around the world.

Economic growth in the PRC has also historically been accompanied by periods of high inflation. Increasing inflation rates were caused by many factors beyond the Group's control, such as rising production and labour costs, high lending levels, changes in national and international governmental policies and regulations as well as movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. If inflation rates rise beyond the Group's expectations, the Group may be unable to increase the price of its services and products in amounts that are sufficient to cover its increasing operating costs. Further inflationary pressures within the PRC may have a material adverse effect on the Group's businesses, financial condition or results of operations.

Recently, concerns have arisen over deflationary pressures in the PRC as a result of weak domestic demand and a slowing economy. Inflation rates within the PRC have been on a downward trend in recent years. A prolonged period of deflation may result in falling profits, closure of plants and shrinking employment and incomes by companies and individuals, any of which could adversely affect the Group's businesses, financial condition or results of operations.

To the extent uncertainty regarding the economic outlook negatively impacts consumer confidence and consumer credit factors globally, the Group's businesses and results of operations could be materially and adversely affected.

Investors should be aware that there is a recent history of financial crises and boom-bust cycles in multiple markets in both emerging and developed economies which leads to risks for all financial institutions, including the Group. In addition, the Group remains subject to the risks posed by the indirect economic effect of the global credit crisis, some of which cannot be anticipated and the vast majority of which are not under its control. The Group also remains subject to counterparty risk arising from financial institutions that can fail or are otherwise unable to meet their obligations under their contractual commitment to the Group. If there is another global or regional financial crisis or a downturn in the economic condition of the Group's primary markets, this would likely have a material adverse effect on the Group's businesses, financial condition and results of operations.

The PRC legal system is continuously evolving and has uncertainties and the legal protections available to the Noteholders may be limited

Certain companies in the Group are incorporated in the PRC and parts of the Group's businesses are conducted in the PRC. Hence, the Group's operations are partially governed by PRC laws and regulations. The PRC legal system is based on written statutes and prior court decisions can only be cited as a reference. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade with a view to developing a comprehensive system of commercial laws. However, due to the fact that these laws and regulations have not been fully developed and because of the limited volume of published cases and their non-binding nature, the interpretation of PRC laws and regulations still involves a significant degree of uncertainty and is less developed than those applicable to companies incorporated in Hong Kong, the United States, the United Kingdom and other developed countries or regions.

On 1 January 2006, substantial amendments to the PRC Company Law (中華人民共和國公司法) and the PRC Securities Law (中華人民共和國證券法) came into effect. Since then, the PRC Company Law was further amended on 28 December 2013 (and came into effect on 1 March 2014) and on 26 October 2018 (and came into effect on the same day) and the PRC Securities Law was further amended on 29 June 2013, 31 August 2014 and 28 December 2019 (and came into effect on 1 March 2020). As a result, the State Council and the CSRC may revise the special regulations and mandatory provisions and adopt new rules and regulations to implement and to reflect the amendments to the PRC Company Law and the PRC Securities Law. The Group cannot guarantee that any revision of the current rules and regulations or the adoption of new rules and regulations by the State Council and the CSRC will not have an adverse effect on the rights of the Noteholders.

It may be difficult to effect service of process or to enforce any judgments obtained from non-PRC courts against the Group or its management residing in the PRC

The Terms and Conditions of the Notes and the transaction documents are governed by English law and the Issuer and the Guarantor have submitted to the exclusive jurisdiction of the English courts. However, certain companies in the Group are incorporated in the PRC and certain assets of the Group are located in the PRC. Therefore, investors may encounter difficulties in effecting service of process from outside the PRC upon the Group or its management.

Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which the Group is subject are also relatively undeveloped and untested. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts in most other jurisdictions. Therefore, it may not be possible for investors to effect service of process upon the Group or its management in the PRC.

Certain PRC regulations governing PRC companies and other entities are less developed than those applicable to companies incorporated and partnership established in more developed countries

A number of the Group's members are established in the PRC and are subject to PRC regulations governing PRC companies and other entities such as partnerships. These regulations contain certain provisions that are required to be included in the joint venture contracts, articles of association and other major operational agreements of these PRC companies and entities and are intended to regulate the internal affairs of these companies and entities. These regulations, and in particular, the provisions for protection of shareholders' rights and access to information, are less developed than those applicable to companies and entities incorporated or established in Hong Kong, the United States, the United Kingdom and other developed jurisdictions. In addition, any control which the Group has over any PRC entities within the Group and the exercise of its corresponding shareholder rights are subject to their respective articles of association and PRC laws applicable to foreign-invested enterprises in the PRC. Such laws and the application thereof may be different from the laws of other developed jurisdictions.

RISKS RELATING TO THE NOTES AND THE GUARANTEE

The Issuer is a special purpose financing entity with no operations of its own. Its ability to make payments under the Notes and its existing indebtedness will depend on timely payments under on-lent loans of the proceeds from the issue of the Notes and other debt securities

The Issuer is a wholly-owned subsidiary of the Guarantor. As at the date of this Offering Circular, the Issuer has not been engaged, since its incorporation, in any material activities other than the issuance of offshore debt securities, the establishment of the Programme and activities in connection with the issue of offshore debt securities and the Notes under the Programme. As at the date of this Offering Circular, the Issuer has limited assets and no business operations other than the issuance of offshore debt securities, the establishment of the Programme and activities in connection with the issue of Notes under the Programme. The Issuer's ability to make payments under the Notes is directly dependent on timely remittance of funds from the Guarantor and/or other members of the Group.

The Guarantor has its own operations and assets but also relies on distributions from its subsidiaries to meet its payment obligations, and provisions of applicable laws or contractual restrictions could limit the amount of such distributions

The Guarantor has its own operations and assets which generate income. However, its ability to make payments in respect of the Guarantee also depends to a large extent upon the receipt of dividends, distributions, interest or advances from its subsidiaries, associated companies and jointly controlled entities. In general, these subsidiaries are separate and distinct legal entities and have no obligation to provide the Guarantor with funds for its payment obligations, whether by dividends, distributions, interest, advances or otherwise. In addition, provisions of applicable laws, such as those limiting the legal sources of dividends, limit the ability of the Guarantor's subsidiaries to make payments or other distributions to it. The Guarantor and its subsidiaries may incur significant additional secured or unsecured indebtedness in the future, and there can be no assurance that the Guarantor will have sufficient cash flows from its own operations and distributions by its subsidiaries and affiliates to satisfy its obligations in respect of the Guarantee. Although the Guarantor believes that it will be able to meet its obligations in respect of the Guarantee, any shortfall would have to be made up from other sources of cash, such as a sale of investments or any financing available to the Guarantor.

The Notes and the Guarantee are unsecured obligations

The Notes and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively. The repayment of the Notes and payment under the Guarantee may be adversely affected if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Guarantor's assets may not be sufficient to pay amounts due on the Notes.

The Notes and the Guarantee will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, and effectively subordinated to the Issuer's and the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness

The Notes and the Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, whether or not secured. The Notes will not be guaranteed by any of the Issuer's or the Guarantor's subsidiaries, and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer or the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer or the Guarantor is subject to various restrictions under applicable laws.

Each of the Issuer's and the Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or the Guarantee or make any funds available therefore, whether by dividends, loans or other payments. The Issuer's and the Guarantor's right to receive assets of any of the Issuer's and the Guarantor's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer or the Guarantor are creditors of that subsidiary). Consequently, the Notes and the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's and the Guarantor's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer or the Guarantor may in the future acquire or establish.

The Notes and the Guarantee are the Issuer's and the Guarantor's unsecured obligations, respectively, and will (i) rank equally in right of payment with all the Issuer's and the Guarantor's other present and future unsubordinated and unsecured indebtedness; and (ii) be effectively subordinated to all of the Issuer's and the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations. Accordingly, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's or the Guarantor's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Noteholders rateably with all of the Guarantor's other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to this Offering Circular or any Pricing Supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio. Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities.

Any failure to complete the relevant registrations or filings with the NDRC relating to the issue of the Notes may have adverse consequences for the Issuer, the Guarantor and/or the investors of the Notes

Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of the Notes may have adverse consequences for the Issuer, the Guarantor and/or the investors of the Notes. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities with a term of more than one year issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within the prescribed time period after the completion of the issue of the securities. Where applicable for a relevant Tranche of Notes, the Notes will be issued within the relevant annual or otherwise general foreign debt issuance quota granted to China Merchants Bank by the NDRC or registration will be completed by the Guarantor with the NDRC pursuant to the NDRC Circular. After the issuance of such relevant Tranche of Notes, the Guarantor has undertaken to provide or cause to be provided a notification of the requisite information and documents on the issuance of such Notes to the NDRC within the time period after the relevant Issue Date as required by the NDRC.

On 18 December 2015, the NDRC issued the Guidelines on Overseas Corporate Bond Issuance (企業境外發行債券指引) (the "**Guideline**"), which further strengthened the compliance of registration requirements under the NDRC Circular, and provides that, companies, underwriters, law firms and other intermediary institutions who fail to comply with registration requirements and commit to maliciously report foreign debt scale and provide fake information might be put on the blacklist of dishonest persons and sanctioned by PRC government. However, the Guideline does not provide details as to how to implement such blacklist and measures of sanction that government will take.

The interpretation of the NDRC Circular may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Notes. In addition, the administration of the NDRC Circular may be subject to a certain degree of executive and policy discretion by the NDRC. There is also risk that the registration approval or the annual foreign debt quota with the NDRC may be revoked or amended in the future or that future changes in PRC laws and regulations may have a negative impact on the performance or validity and enforceability of the Notes in the PRC. Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s)

Notes issued under the Programme may be represented by one or more Global Notes (in the case of Bearer Notes) or Global Certificates (in the case of Registered Notes). Such Global Notes and Global Certificates will be deposited with a common depositary for Euroclear and Clearstream or lodged with the CMU (each of Euroclear, Clearstream and the CMU, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive Definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing System(s).

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Notes by making payments to the relevant Clearing System(s) for distribution to their account holders or in the case of the CMU, to the persons for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the procedures of the CMU (the "**CMU Rules**") as notified by the CMU to the Issuer and the Guarantor in a relevant CMU Instrument Position Report or any other notification by the CMU.

A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

Holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right under the respective Global Notes or Global Certificates to take enforcement action against the Issuer or the Guarantor in the event of a default under the relevant Notes but will have to rely upon their rights under the trust deed entered into between the Issuer, the Guarantor and the Trustee on 21 May 2021 ("**Trust Deed**").

Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade

In relation to any issue of Notes which have a denomination consisting of a minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds a nominal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a nominal amount of Notes such that it holds an amount equal to one or more Specified Denominations. If Definitive Notes are issued, holders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The Issuer may not be able to redeem the Notes upon the due date for redemption thereof

If specified in the relevant Pricing Supplement, the Issuer may, at its option, at maturity, at Noteholders' option or following the occurrence of a Change of Control (as defined in the Terms and Conditions of the Notes), be required to redeem all or some of the Notes. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Notes could constitute an event of default under the Notes, which may also constitute a default under the terms of the Issuer's or the Group's other indebtedness.

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At such times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in their respective debt agreements (if any), or the Notes, there could be a default under the terms of these agreements, or the Notes, which could cause repayment of the debt of the Issuer or the Guarantor to be accelerated

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in the Notes, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer or the Guarantor, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements may contain cross-acceleration or cross-default provisions. As a result, the default by the Issuer or the Guarantor under one debt agreement may cause the acceleration of repayment of debt or result in a default under its other debt agreements, including the Notes. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows to repay in full all the indebtedness of the Issuer or the Guarantor, or that it would be able to find alternative financing. Even if the Issuer or the Guarantor could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or the Guarantor.

The ratings of the Programme may be downgraded or withdrawn

The Programme is expected to be assigned a rating of "Baa1" by Moody's. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Notes and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time. A reduction or withdrawal of the ratings may adversely affect the market price of the Notes and the Issuer's or the Guarantor's ability to access the debt capital markets.

Any downgrading of the Guarantor's corporate ratings, or those of its subsidiaries, by rating agencies could adversely affect the Group's business and the Group's liquidity

Any adverse revision to the Guarantor's corporate ratings, or those of its subsidiaries, for domestic and international debt by rating agencies such as Moody's and S&P may adversely affect the Group's business, its financial performance and the trading price of the Notes. Further, the Group's ability to obtain financing or to access to capital markets may also be limited, thereby lowering its liquidity.

The Issuer or the Guarantor may be treated as a PRC resident enterprise for PRC tax purposes and certain withholding taxes may be applicable.

Under the PRC Enterprise Income Tax Law and its implementation rules, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes.

The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises.

As at the date of this Offering Circular, neither the Issuer nor the Guarantor has been notified or informed by the PRC tax authorities that it is considered a PRC tax resident enterprise for the purpose of EIT Law. However, there is no assurance that the Issuer or the Guarantor will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. If the Issuer or the Guarantor is deemed to be a PRC resident enterprise for EIT purposes, the Issuer or the Guarantor generally would be subject to the PRC enterprise income tax at the rate of 25.0 per cent. on its worldwide income.

Furthermore, if the Issuer or the Guarantor is deemed to be a PRC resident enterprise, the Issuer or the Guarantor would be obligated to withhold PRC income tax on payments of interest or redemption premium (if any) at a rate of 10 per cent. for non-PRC resident enterprises, or at a rate of 20 per cent. for non-PRC resident individuals. In addition, any gains realised by such investors from the transfer of the Notes may be regarded as being derived from sources within the PRC and may accordingly be subject to a 10.0 per cent. PRC income tax for non-PRC resident enterprises, or a 20.0 per cent. PRC income tax for non-PRC resident individuals, if such gains are regarded as income derived from sources within the PRC. The PRC income tax liability may be reduced under applicable income tax treaties, such as the arrangement for avoidance of double taxation with Hong Kong. However, it is unclear whether in practice non-resident Noteholders would be able to obtain the benefit of income tax treaties entered into between PRC and their countries.

On 23 March 2016, the Ministry of Finance ("MOF") and State Administration of Taxation ("SAT") issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (Caishui [2016] No. 36) (《關於全面推開營業税改徵增值税試點的通知》) ("**Circular 36**"), which introduced a new value-added tax ("VAT") from 1 May 2016. According to Circular 36, which was amended on 11 July 2017 and 20 March 2019, VAT is applicable where the entities or individuals provide financial services such as providing loans within the PRC. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. Circular 36 further clarifies that "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of loans under Circular 36, the issuance of Notes may be treated as the Noteholders providing loans to the Issuer, which will be regarded as providing financial services for VAT purposes. In the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, Noteholders may be regarded as providing financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident Noteholders may be subject to withholding VAT at the rate of 6 per cent. In addition, the holders of the Notes shall also be subject to the local levies up to 12 per cent. of the VAT payment. Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

Subject to certain exceptions, the Issuer and Guarantor will be required to pay additional amounts with respect to any such PRC withholding taxes. The requirement to pay additional amounts will increase the cost of servicing the Notes and will adversely impact the cash flows of the Issuer and Guarantor. In addition, if any PRC tax is imposed on the disposition of the Notes, an investor's investment return would be materially and adversely affected.

The insolvency laws of the British Virgin Islands, Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar

As the Issuer and the Guarantor are incorporated under the laws of the British Virgin Islands and Hong Kong, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve British Virgin Islands or Hong Kong insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

The Trustee may request the Noteholders to provide an indemnity, security and/or pre-funding to its satisfaction

In certain circumstances, including, without limitation, giving of notice to the Issuer and the Guarantor pursuant to Condition 10 of the Terms and Conditions of the Notes and taking any steps and/or actions and/or instituting any proceedings pursuant to Condition 12 of the Terms and Conditions of the Notes, the Trustee may, at its sole discretion, request the Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any steps and/or actions and/or institutes any proceedings on behalf of the Noteholders. The Trustee shall not be obliged to take any such steps and/or actions and/or to institute any such proceedings if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take such steps and/or actions and/or institute such proceedings, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Notes and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such steps and/or actions and/or institute proceedings directly.

Decisions that may be made on behalf of all holders of the Notes may be adverse to the interests of individual holders of the Notes

The Terms and Conditions of the Notes contain provisions for calling meetings of holders of the Notes to consider matters affecting their general interests. These provisions permit defined majorities to bind all holders of the Notes, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Notes may be adverse to the interests of individual Noteholders.

The Terms and Conditions of the Notes also provide that the Trustee may (but shall not be obliged to), without the consent of Noteholders, Receiptholders (as defined in the Terms and Conditions of the Notes) or Couponholders (as defined in the Terms and Conditions of the Notes), agree to any modification (other than with respect to certain reserved matters) of the Terms and Conditions of the Notes or any of the provisions of the Trust Deed or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of Noteholders and to any modification of the Trust Deed, the Terms and Conditions of the Notes or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law. In addition, the Trustee may (but shall not be obliged to), without the consent of the Noteholders, authorise or waive any proposed breach or breach (other than a proposed breach or breach relating to the subject of certain reserved matters) of the Terms and Conditions of the Notes or any of the provisions of the Trust Deed or the Agency Agreement.

A change in English law which governs the Notes may adversely affect Noteholders

The Terms and Conditions of the Notes are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

The Financial Institutions (Resolution) Ordinance may adversely affect the Notes

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant Resolution authorities, which may include the Guarantor. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, subject to certain safeguards, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Notes or the principal amount of, or interest on, the Notes, and powers to amend or alter the contractual provisions of the Notes, all of which may adversely affect the value of the Notes, and the holders thereof may suffer a loss of some or all of their investment as a result. Holders of the Notes may become subject to and bound by the FIRO. The implementation of FIRO remains untested and certain detail relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, the Guarantor is unable to access the full impact of FIRO on the financial system generally, the Guarantor's counterparties, the Guarantor, any of its subsidiaries, its operations and/or its financial position.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES UNDER THE PROGRAMME

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Dual Currency Notes have features which are different from single currency issues

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected; and
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be or used as "benchmarks" such as the London Interbank Offered Rate ("**LIBOR**"), are the subject of recent international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any international reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The value of, and return on, Floating Rate Notes linked to or referencing LIBOR or other similar indices may be adversely affected in the event of a permanent discontinuation of LIBOR or other similar indices

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Terms and Conditions of the Notes provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such Original Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the Independent Adviser, the Terms and Conditions of the Notes provide that the Issuer may vary the Terms and Conditions of the Notes, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or Alternative Rate is determined by the Independent Adviser, the Terms and Conditions of the Notes also provide that an Adjustment Spread will be determined by the Independent Adviser and applied to such Successor Rate or Alternative Rate.

The Adjustment Spread is the spread, formula or methodology which

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body (which may include a relevant central bank, supervisory authority or group of central banks/supervisory authorities),

(ii) the Independent Adviser determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate, or

(iii) if the Independent Adviser determines that no such spread is customarily applied, that which the Independent Adviser determines and which is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate, as the case may be.

Accordingly, the application of an Adjustment Spread may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

The Issuer may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Rate in accordance with the terms and conditions of the Notes.

Where the Issuer is unable to appoint an Independent Adviser in a timely manner, or the Independent Adviser is unable to determine a Successor Rate or Alternative Rate before the next Interest Determination Date, the Rate of Interest for the next succeeding Interest Accrual Period will be the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Interest Payment Date, the Rate of Interest will be the initial Rate of Interest.

Where the Issuer has been unable to appoint an Independent Adviser or, the Independent Adviser has failed, to determine a Successor Rate or Alternative Rate in respect of any given Interest Period, it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date and/or to determine a Successor Rate or Alternative Rate to apply the next succeeding and any subsequent Interest Periods, as necessary.

Applying the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event is likely to result in Notes linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

If the Issuer is unable to appoint an Independent Adviser or, the Independent Adviser fails to determine a Successor Rate or Alternative Rate for the life of the relevant Notes, the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the floating rate Notes, in effect, becoming fixed rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of floating rate Notes is to be determined, the Terms and Conditions of the Notes provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is an "IBOR" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the floating rate Notes.

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice versa, may have lower market values than other Notes

Fixed Rate Notes and Floating Rate Notes (as defined in the Terms and Conditions of the Notes) may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed Rate Notes may be less favourable than then-prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then-prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than prices for conventional interest-bearing securities do

The market values of Notes issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the Notes, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any Index-Linked Notes issued

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index Linked Interest Notes or Index Linked Redemption Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

RISKS RELATING TO THE MARKET GENERALLY

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial issue price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer, the Guarantor and the Group. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances, investors may not be able to sell their Notes at all or at their fair market value. Although application has been made to the Hong Kong Stock Exchange for the listing of the Programme, and for the permission to deal in, and for the listing of, Notes issued under the Programme during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

The liquidity and price of the Notes following this offering may be volatile

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There can be no assurance that these developments will not occur in the future.

Developments in other markets may adversely affect the market price of the Notes

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

Exchange rate risks and exchange controls may result in a Noteholder receiving less interest or principal than expected

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if a Noteholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Notes; (ii) the Investor's Currency equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency equivalent market value of the Notes.

Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, a Noteholder may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

The credit ratings assigned to the Notes may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Notes and the Guarantee and the credit risks in determining the likelihood that payments will be made when due under the Notes. Such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There can be no assurance that the ratings assigned to any Notes will remain in effect for any given period or that the ratings will not be lowered, suspended or withdrawn by the rating agencies in the future if, in their judgment, the circumstances so warrant. Neither the Issuer nor the Guarantor is obligated to inform holders of the Notes of any such suspension, revision, downgrade or withdrawal. A suspension, downgrade or withdrawal of the ratings of any Notes at any time may materially and adversely affect the market price of the Notes and the Issuer's and the Guarantor's ability to access the debt capital markets.

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

Notes denominated in Renminbi ("**Renminbi Notes**") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.

Renminbi is not completely freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC

Renminbi is not completely freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

Remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

In respect of Renminbi foreign direct investments ("**FDI**"), the People's Bank of China ("**PBOC**") promulgated the Administrative Measures on Renminbi Settlement of Foreign Direct Investment (《外商直接投資人民幣結算業務管理辦法》) (the "**PBOC FDI Measures**") on 13 October 2011, which was amended on 5 June 2015, as part of PBOC's detailed Renminbi FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, PBOC issued a circular setting out the operational guidelines for FDI, which was amended on 5 June 2015. Under the PBOC FDI Measures, special approval for FDI and shareholder loans from PBOC, which was previously required, is no longer necessary. In some cases however, post-event filing with PBOC is still necessary.

On 3 December 2013, the Ministry of Commerce of the PRC ("**MOFCOM**") promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (《關於跨境人民幣直接投資有關問題的公告》) (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

On 13 February 2015, the SAFE promulgated the Notice on Further Simplifying and Improving Foreign Exchange Administration Policies for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) ("**Circular 13**"), which was amended on 30 December 2019, to simplify foreign exchange rules for cross-border investments. According to Circular 13, foreign exchange registration for foreign direct investment and outbound direct investment will be exempted from the approval by the SAFE and the registration rights will be delegated from the SAFE to the qualified banks from 1 June 2015. Under the Circular 13, foreign investors could open foreign exchange accounts in qualified banks directly after providing the banks with registration documents, with no need to obtain separate government approval. By Circular 13, such qualified banks will administer foreign exchange transactions according to the registration information provided by the parties and the SAFE will indirectly supervise foreign exchange registration by verifying and inspecting the qualified banks.

On 30 March 2015, the SAFE promulgated the Circular of the SAFE on Relevant Issues Concerning the Reform of the Administrative Method of the Conversion of Foreign Exchange Funds by Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結算管理方式的通知》) ("**Circular 19**"), which was amended on 9 June 2016 and 30 December 2019 and relaxed the capital account settlement for all foreign invested enterprises across the nation from 1 June 2015.

On 9 June 2016, the SAFE further promulgated the Circular of the SAFE on Relevant Issues Concerning the Reform and Regulation of the Administrative Policies of the Conversion under Capital Items (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) ("**Circular 16**"). According to Circular 16, in case of any discrepancy between Circular 19 and Circular 16, Circular 16 shall prevail. Circular 16 allows all foreign invested enterprises across the PRC to convert 100 per cent. (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through the SAFE's equity interest confirmation procedure for capital contribution in cash or registered by a bank on the SAFE's system for account crediting for such capital contribution) into Renminbi at their own discretion without providing various supporting documents. However, to use the converted Renminbi, a foreign invested enterprise still needs to provide supporting documents and go through the review process with the banks for each withdrawal. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth under the Circular 16.

In addition, pursuant to the Notice of SA FE on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) ("**Circular No. 3 [2017]**") promulgated on 26 January 2017, when conducting outward remittance of a sum equivalent to more than U.S.$50,000 for a domestic institution, the bank shall, under the principle of genuine transaction, check the profit distribution resolution made by the board of directors (or profit distribution resolution made by partners), original of tax filing form and audited financial statements, and stamp with the outward remittance sum and date on the original of tax filing form. In addition, the domestic institution shall make up its losses of previous years under the applicable laws. On 24 March 2017 and 27 April 2017, the SAFE respectively posted two series of questions and answers on its official website, in order to further explain the Circular No. 3 [2017].

On 5 January 2018, PBOC promulgated the Notice on Further Improving Policies of Cross-Border Renminbi Business to Promote Trade and Investment Facilitation (《關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知》) ("**Circular No. 3 [2018]**"), which supports enterprises to use Renminbi in cross-border settlement and for the investment income such as profits and dividends legally obtained by overseas investors in the PRC, banks shall review relevant materials as required before processing cross-border Renminbi settlement and ensure free remittance of profits of foreign investors in accordance with the law.

As these are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer and the Guarantor to source Renminbi to finance their obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service such Renminbi Notes

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong special administrative region ("**SAR**") government, licensed banks in Hong Kong may offer limited Renminbi denominated banking services to Hong Kong residents and specified business customers. PBOC has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On July 2010, further amendments were made to the Settlement Agreement on the Clearing of Renminbi Business (《關於人民幣業務的清算協議》) (the "**Settlement Agreement**") between PBOC and Bank of China (Hong Kong) Limited (the "**Renminbi Clearing Bank**") to further expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert Renminbi; and there will no longer be any restriction on the transfer of Renminbi funds between different accounts in Hong Kong. In addition, PBOC has now established Renminbi clearing and settlement systems with financial institutions in other major global financial centres (each also a "**Renminbi Clearing Bank**"), including London, Frankfurt and Singapore to further internationalise the Renminbi.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the settlement arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer or the Guarantor is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that either the Issuer or the Guarantor will be able to source such Renminbi on satisfactory terms, if at all.

Payments in respect of Renminbi Notes will only be made to investors in the manner specified in such Renminbi Notes

All payments to investors in respect of Renminbi Notes will be made solely (i) when Renminbi Notes are represented by Global Notes or Global Certificates, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (ii) when Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer or the Guarantor (as the case may be) cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

FORM OF PRICING SUPPLEMENT

The Pricing Supplement that will be issued in respect of each Tranche will be substantially in the following form, duly supplemented if (necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

[“**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.”][3]

[**UK MiFIR PRODUCT GOVERNANCE/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.][4]

[**PRIIPs REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][5]

[UK PRIIPs REGULATION – PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the

3 Legend for issuances involving one or more MiFID Firm manufacturers.

4 Legend for issuances involving one or more UK MiFIR Firm manufacturers.

5 Include if Item 40 (Prohibition of Sales to EEA Retail Investors) is stated to be applicable.

FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.][6]

[Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.)][7]

[This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKSE**") ("**Professional Investors**") only.

HKSE has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer and the Guarantor or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Notice to Hong Kong investors: The Issuer and the Guarantor each confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the HKSE on that basis. Accordingly, the Issuer and the Guarantor each confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Guarantor. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

6 Include if Item 41 (Prohibition of Sales to EEA Retail Investors) is stated to be applicable.

7 For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

[Date]

Legend Fortune Limited
Legal entity identifier (LEI): 549300ZK4C5GBWRE7L09
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under its U.S.$2,000,000,000
Guaranteed Medium Term Note Programme

Guaranteed by
CMB International Capital Corporation Limited
(招銀國際金融有限公司)

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Offering Circular dated [original date] (the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of the Offering Circular[, the Supplemental Offering Circular dated [●]] and this Pricing Supplement.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [original date] [and the Supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of the Offering Circular[, the Supplemental Offering Circular dated [●]] and this Pricing Supplement.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1	(i)	Issuer:	Legend Fortune Limited
	(ii)	Guarantor:	CMB International Capital Corporation Limited (招銀國際金融有限公司)
2	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 34 below, which is expected to occur on or about [date]]/[Not Applicable]

3	Specified Currency or Currencies:		[●]
4	Aggregate Nominal Amount:		
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
5	(i)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
	(ii)	[Net proceeds:	[●]] [*Delete for unlisted issuances.*]
6	(i)	Specified Denominations:[8] [9]	[●]
	(ii)	Calculation Amount:	[●]
7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable]
8	Maturity Date:		[*Fixed rate – specify date/Floating rate* – Interest Payment Date falling in or nearest to [*specify* month]][10]
9	Interest Basis:		[[●] per cent. Fixed Rate] [[LIBOR/EURIBOR/HIBOR/CNH HIBOR] +/- [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10	Redemption/Payment Basis:		[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [specify other]

8 Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

9 If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000. In relation to any issue of Notes which are a "Global Note exchangeable to Definitive Notes" in circumstances other than in the limited circumstances specified in the Global Note, such Notes may only be issued in denominations equal to, or greater than, €100,000 (or equivalent)and multiples thereof.

10 Note that for Renminbi and Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day."

11	Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*] [Not Applicable]
12	Put/Call Options:	Change of Control Put Option [Investor Put][11] [Issuer Call] [(further particulars specified below)]
13	Rating Maintenance:	[Applicable/Not Applicable]
14	Date of [Board] approval for issuance of Notes and Guarantee obtained:	[●] [and [●], respectively] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*
15	Regulatory approval for issuance of Notes obtained:[12]	[[●]/None required] [Date]
16	Listing:	[The Stock Exchange of Hong Kong Limited/*specify other*/None] *(For Notes to be listed on the HKSE, insert the expected effective listing date of the Notes)*
17	Method of distribution:	[Syndicated/Non-syndicated]

Provisions Relating to Interest (if any) Payable

18	Fixed Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted*] *(N.B.: This will need to be amended in the case of long or short coupons)*
	(iii) Fixed Coupon Amount(s): (Applicable to Notes in definitive form)	[●] per Calculation Amount[13]

11 For as long as Bearer Notes issued in accordance with TEFRA D are represented by a Temporary Global Note, an Investor Put shall not be available unless the certification required under TEFRA D with respect to non-U.S. beneficial ownership has been received by the Issuer or the Agent.

12 If pre-Issue registration with the NDRC is required, the date of (i) the Registration Certificate of Enterprise Foreign Debt or (ii) the relevant document granting a general foreign debt issuance quota to China Merchants Bank Co., Ltd., should be included.

13 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards in the case of Renminbi denominated Fixed Rate Notes and to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

(iv)	Broken Amount(s): (Applicable to Notes in definitive form)	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
(v)	Day Count Fraction:	[30/360 or Actual/Actual (ICMA/ISDA) or Actual/365 (Fixed)[14] or [specify other]]
(vi)	Determination Date(s):	[●] in each year *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]* *(N.B.: This will need to be amended in the case of regular interest payment dates which are not of equal duration)* *(N.B.: Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]

19	Floating Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Interest Period(s):	[●][[, subject to adjustment in accordance with the Business Day Convention set out in (v) below] [, not subject to any adjustment [, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
(ii)	Specified Interest Payment Dates:	[●] in each year [[, subject to adjustment in accordance with the Business Day Convention set out in (v) below] [, not subject to any adjustment [, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
(iii)	Interest Period Date:	[Not Applicable] /[●] [in each year [, subject to adjustment in accordance with the Business Day Convention set out in (v) below] [, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]] *(Not applicable unless different from Interest Payment Date)*
(iv)	First Interest Payment Date:	[●]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
(vi)	Additional Business Centre(s):	[●]

[14] Applicable to Hong Kong dollar denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes.

(vii) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/ *specify other*]
(viii) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent):	[●]
(ix) Screen Rate Determination:	
– Reference Rate:	[●] *(Either LIBOR, EURIBOR, HIBOR, CNH HIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*
– Interest Determination Date(s):	[●] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling, Hong Kong dollar or euro LIBOR), second Hong Kong business day prior to the start of each Interest period if CNH HIBOR, first day of each Interest Period if Sterling LIBOR or Hong Kong dollar LIBOR or HIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
– Relevant Screen Page:	[●] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(x) ISDA Determination:	
– Floating Rate Option:	[●]
– Designated Maturity:	[●]
– Reset Date:	[●]
(xi) Linear Interpolation:	[Note Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Accrual Period shall be calculated using Linear Interpolation *(specify for each short or long interest period)*]
(xii) Margin(s):	[+/-][●] per cent. per annum
(xiii) Minimum Rate of Interest:	[●] per cent. per annum
(xiv) Maximum Rate of Interest:	[●] per cent. per annum

	(xv) Day Count Fraction:	[Actual/Actual or Actual/Actual (ISDA) Actual/365(Fixed) Actual/365(Sterling) Actual/360 30/360, 360/360 or Bond Basis 30E/360 or Eurobond Basis 30E/360 (ISDA) Other] *(See Condition 5 for alternatives)*
	(xvi) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
20	Zero Coupon Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Amortisation Yield:	[●] per cent. per annum
	(ii) Day Count Fraction:	[●]
	(iii) Any other formula/basis of determining amount payable:	[●]
21	Index Linked Interest Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Index/Formula:	[*give or annex details*]
	(ii) Calculation Agent:	[●]
	(iii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Issuing and Paying Agent):	[●]
	(iv) Interest Determination Date(s):	[●]
	(v) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[need to include a description of market disruption or settlement disruption events and adjustment provisions]
	(vi) Interest or calculation period(s):	[●]
	(vii) Specified Period(s)/Specified Interest Payment Dates:	[●]

	(viii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
	(ix) Additional Business Centre(s):	[●]
	(x) Minimum Rate of Interest:	[●] per cent. per annum
	(xi) Maximum Rate of Interest:	[●] per cent. per annum
	(xii) Day Count Fraction:	[●]
22	Dual Currency Interest Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
	(ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Issuing and Paying Agent):	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[need to include a description of market disruption or settlement disruption events and adjustment provisions]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]

Provisions Relating to Redemption

23	Issuer Call:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/specify other/see Appendix]
	(iii) If redeemable in part:	[●]
	(a) Minimum Redemption Amount:	[●]
	(b) Maximum Redemption Amount:	[●]

	(iv) Notice period (if other than as set out in the Conditions):	*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee)*
24	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/specify other/see Appendix]
	(iii) Notice period (if other than as set out in the Conditions):	[●] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee)*
25	Change of Control Put:	Condition 6(d) applies
26	Final Redemption Amount:	[[●] per Calculation Amount/specify other/see Appendix]
27	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[[●] per Calculation Amount/specify other/see Appendix]

General Provisions Applicable to the Notes

28	Form of Notes:	[**Bearer Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice[15]] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]] [**Registered Notes:** Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate]

15 If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000", the Temporary Global Note shall not be exchangeable on [●] days' notice.

29	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details*] *(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 17(iii) and 19(vii) relate)*
30	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
31	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B.: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
32	Details relating to Instalment Notes:	
	(i) Instalment Amount(s):	[Not Applicable/*give details*]
	(ii) Instalment Date(s):	[Not Applicable/*give details*]
33	Redenomination applicable:	Redenomination [not] applicable *[(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))]*
34	Consolidation provisions:	[Not Applicable]/[The provisions annexed to this Pricing Supplement apply]
35	Other terms or special conditions:	[Not Applicable/*give details*]

Distribution

36	(i) If syndicated, names and addresses of Managers and commitments:	[Not Applicable/*give names and addresses and commitments*]
	(ii) Date of Subscription Agreement:	[●]
	(iii) Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
37	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name and address*]
38	Total commission and concession:	[●] per cent. of the Aggregate Nominal Amount
39	U.S. Selling Restrictions:	[Reg. S Category 1/Category 2; TEFRA D/TEFRA C/TEFRA not applicable[16]]

16 "TEFRA not applicable" is only available for Bearer Notes with a term of 365 days or less (taking into account any unilateral extensions and rollovers) or Registered Notes.

40	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared in the EEA, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*)
41	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared in the UK, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)*
42	Additional selling restrictions:	[Not Applicable/*give details*]

Operational Information

43	Any clearing system(s) other than Euroclear or Clearstream and the relevant identification number(s):	[CMU/Not Applicable/*give name(s) and number(s)*]
44	Delivery:	Delivery [against/free of] payment
45	Additional Paying Agent(s) (if any):	[●]
46	(i) ISIN:	[●]
	(ii) Common Code:	[●]
	(iii) *(insert here any other relevant codes such as a CMU instrument number)*:	[●]
47	The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Notes not denominated in U.S. dollars):	[Not applicable/U.S.$[●]]
48	Ratings:	The Notes to be issued [have been/are expected to be] rated: [[●]: [●]] [[●]: [●]] [[●]: [●]] *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)*
49	Private Bank Rebate/Commission:	[Not Applicable/*give details*]

[USE OF PROCEEDS

Give details if different from the "Use of Proceeds" section in the Offering Circular.]

[STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as Stabilisation Manager(s) in this Pricing Supplement (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws, regulations and rules.]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.$2,000,000,000 Guaranteed Medium Term Note Programme of Legend Fortune Limited.]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:	Signed on behalf of the Guarantor:
By:________________________________	By:________________________________
Duly authorised	Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, save for the words in italics and subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the applicable Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement or the Trust Deed, as the case may be. Those definitions will be endorsed on the definitive Bearer Notes or Certificates, as the case may be. References in these Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued by Legend Fortune Limited (the "**Issuer**") and guaranteed by CMB International Capital Corporation Limited (招銀國際金融有限公司) (the "**Guarantor**"), and are constituted by a Trust Deed dated 21 May 2021 (as amended, restated, novated and/or supplemented from time to time, the "**Trust Deed**") between the Issuer, the Guarantor and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the "**Trustee**", which expression shall, where the context so permits, include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the Noteholders (as defined below). These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Bearer Notes, the Certificates, the Receipts, the Coupons and the Talons referred to below. An agency agreement dated 21 May 2021 (as amended, restated, novated and/or supplemented from time to time, the "**Agency Agreement**") has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as initial issuing and paying agent and as initial CMU lodging and paying agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**", which term shall, where the context so permits, include its operator) and the other agents named therein. The issuing and paying agent, the CMU lodging and paying agent, any other paying agents, the registrar, the transfer agent(s) and the calculation agent(s) for the time being are referred to below respectively as the "**Issuing and Paying Agent**" (which expression includes any successor Issuing and Paying Agent appointed from time to time in connection with the Notes), the "**CMU Lodging and Paying Agent**" (which expression includes any successor CMU Lodging and Paying Agent appointed from time to time in connection with the Notes), the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent and the CMU Lodging and the Paying Agent and any additional or successor Paying Agents appointed from time to time in connection with the Notes), the "**Registrar**" (which expression includes any successor Registrar appointed from time to time in connection with the Notes), the "**Transfer Agents**" (which expression shall include the Registrar and any successor Transfer Agents appointed from time to time in connection with the Notes) and the "**Calculation Agent(s)**" (which expression includes any successor Calculation Agent(s) appointed from time to time in connection with the Notes) and collectively, the "**Agents**". For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday other than public holidays) at the principal office of the Trustee (being at the Issue Date (as specified in the attached Pricing Supplement) at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) and at the specified office of the Issuing and Paying Agent following prior written request and provision of proof of holding and identity satisfactory to the Trustee or, as the case may be, the Issuing and Paying Agent.

The Noteholders, the holders (the "**Couponholders**") of the interest coupons (the "**Coupons**") relating to interest-bearing Notes in definitive bearer form and, where applicable in the case of such Notes and talons for further Coupons (the "**Talons**"), and the holders (the "**Receiptholders**") of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments, are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects, and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series with such Tranche of Notes and (b) identical in all respects (or in all respects except for the issue date, the issue price, the first payment of interest on them, and the timing for submission of the NDRC Post-Issue Filing (if applicable) and making the related notification to the Trustee and Noteholders).

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement or the Trust Deed.

A. FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

*Each Tranche of Bearer Notes will be initially issued in the form of a Temporary Global Note or, if so specified in the applicable Pricing Supplement, a Permanent Global Note which, in either case, will be delivered on or prior to the original issue date of the Tranche to either (i) a common depositary (the "**Common Depositary**") for Euroclear and Clearstream; or (ii) a sub-custodian for the CMU. Alternatively, any subsequent Tranche of an existing Series may be represented by an increase in the principal amount of Notes represented by a Permanent Global Note of an earlier Tranche of the same Series, or both such Tranches (and any earlier Tranches) may be represented by a replacement Permanent Global Note representing the aggregate principal amount of Notes of such Tranches.*

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it in the case of Registered Notes) or its theft or loss (or that of the relevant Certificate) and no person shall be liable for so treating the holder.

For so long as any of the Notes are represented by a Global Note or a Global Certificate held on behalf of Euroclear and/or Clearstream and/or a sub-custodian for the CMU, each person (other than Euroclear or Clearstream or the CMU) who is for the time being shown in the records of Euroclear or Clearstream or the CMU as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream or the CMU as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note or the registered holder of the relevant Global Certificate shall be treated by the Issuer, the Guarantor, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note or Global Certificate and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU in accordance with the CMU Rules at the relevant time and such payments shall discharge the obligation of the Issuer, the Guarantor and the Trustee (as the case may be) in respect of that payment under such Note. In addition, these Conditions are modified by certain provisions contained in the Global Note or the Global Certificate (as the case may be).

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person (or in the case of joint holders, the first-named thereof) in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

References in these Conditions to Coupons, Couponholders, Talons, Receipts and Receiptholders relate to Bearer Notes only. References in these Conditions to Certificates relate to Registered Notes only.

B. NO EXCHANGE OF NOTES, TRANSFERS OF REGISTERED NOTES AND CERTIFICATES

(i) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(ii) **Transfer of Registered Notes:** One or more Registered Notes may, subject to Conditions 2(b) and 2(f) and the terms of the Agency Agreement, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any other Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such other Transfer Agent may require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Notes (which shall be in a Specified Denomination) represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred (which shall be in a Specified Denomination) shall be issued to the transferor. All transfers of Notes and entries on the Register will be made in accordance with detailed regulations concerning transfers of Notes, the initial form of which is scheduled to the Agency Agreement (the "**Regulations**"). The Regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the

Trustee. A copy of the current Regulations will be made available (free of charge to the Noteholder and at the expense of the Issuer, failing which the Guarantor) by the Registrar to any Noteholder following prior written request and provision of proof of holding and identity satisfactory to the Registrar. No transfer of title to a Registered Note will be valid unless and until entered on the Register.

Transfer of interests in the Notes evidenced by a Global Note or Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(iii) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or a Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Registered Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any other Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(iv) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(b) or Condition 2(c) shall be available for delivery within seven business days of receipt of a duly completed and signed form of transfer or Put Exercise Notice (as defined in Condition 6(d)) or Exercise Notice (as defined in Condition 6(f)) and surrender of the original Certificate. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any other Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer, Put Exercise Notice, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Put Exercise Notice, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate (but free of charge to the holder and at the expense of the Issuer, failing which the Guarantor) to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or the relevant other Transfer Agent (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the Registrar or the relevant other Transfer Agent (as the case may be).

(v) **Transfers Free of Charge:** Transfers of Registered Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or any other Transfer Agent, but upon (i) payment by the relevant Noteholder of any taxes, duties, assessments or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant other Transfer Agent (as the case may be) may require); (ii) the Registrar or the relevant other Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title and identity of the person making the application and (iii) the Registrar or the relevant other Transfer Agent (as the case may be) being satisfied in its absolute discretion that the Regulations have been complied with.

(vi) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) after the exercise of the put option in Condition 6(d) in respect of that Registered Note, (iii) after the exercise of the put option in Condition 6(f) in respect of that Registered Note, (iv) during the period of 15 days prior to any date on which Notes may called for redemption in part by the Issuer at its option pursuant to Condition 6(e), (v) after any such Registered Note has been called for redemption or (vi) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(c)(ii)).

C. GUARANTEE AND STATUS

(a) **Status of Notes:** The Notes and any Receipts relating to them constitute direct, unsubordinated, unconditional and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts relating to them shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.

(b) **Guarantee:** The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes and, if applicable, the Receipts (the "**Guarantee**"). The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor.

D. NEGATIVE PLEDGE AND OTHER COVENANTS

(a) **Negative Pledge:** So long as any Note remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and the Guarantor shall ensure that no Principal Subsidiary (other than a Listed Subsidiary and Subsidiaries of a Listed Subsidiary) will, create or have outstanding, any mortgage, charge, lien, pledge or other security interest (save for a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the relevant Notes the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (ii) shall be approved by an Extraordinary Resolution of the Noteholders.

(b) **Provision of Information:** For so long as any Note remains outstanding (as defined in the Trust Deed):

the Issuer and the Guarantor will furnish the Trustee with a Compliance Certificate (A) within 14 days of a request by the Trustee, and (B) at the time of provision of the relevant Audited Financial Reports; and

the Guarantor shall provide to the Trustee and make available for inspection by any Noteholder a copy of the relevant Audited Financial Reports within 150 days of the end of each Relevant Period.

(c) **Rating Maintenance:** Where Rating Maintenance is specified hereon, so long as any Note remains outstanding (as defined in the Trust Deed), save with the approval of an Extraordinary Resolution of the Noteholders, the Issuer undertakes that it will, and the Guarantor undertakes that it will procure the Issuer to, use reasonable efforts to maintain a rating on the Notes by a Rating Agency.

(d) **Issuer Activities:** So long as any Note remains outstanding (as defined in the Trust Deed), the Issuer shall not, and the Guarantor will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the issue of, and performance of its obligations under, the Issuer's U.S.$300,000,000 Floating Rate Guaranteed Notes due 16 July 2021 (the "**2021 Notes**"), the Notes, the Receipts and other debt securities (such activities in connection with the 2021 Notes, the Notes, the Receipts and other debt securities shall, for the avoidance of doubt, include (i) the lending of the proceeds of the issue of the 2021 Notes, the

Notes, the Receipts and other debt securities to the Guarantor or any of its Subsidiaries and affiliates and any other activities incidental thereto, (ii) the establishment and maintenance of the Programme, (iii) the exchange of one currency into another currency and hedging transactions, (iv) activities directly related to the establishment and/or maintenance of the Issuer's corporate existence), and/or activities reasonably incidental thereto.

(e) **NDRC:** In relation to each Tranche of Notes where the NDRC Circular is applicable, the Guarantor undertakes that it will file or cause to be filed the NDRC Post-Issue Filing within ten PRC Business Days and, as soon as practicable after such submission, provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming the submission of the NDRC Post-Issue Filing; and (ii) a copy of the relevant documents (if any) evidencing the NDRC Post-Issue Filing, which are to be attached to the certificate referred to in (i) of this Condition 4(e) (the items specified in (i) and (ii) of this Condition 4(e) together, the "**NDRC Post-issue Filing Documents**"). In addition, the Guarantor shall procure that, within five PRC Business Days after the NDRC Post-issue Filing Documents are delivered to the Trustee, the Issuer gives notice to the Noteholders (in accordance with Condition 16) confirming the completion of the NDRC Post-Issue Filing.

(f) **Trustee Reliance:** The Trustee shall be entitled to conclusively rely on or act in reliance on any certificate, notice or document received by it as contemplated in this Condition 4 as sufficient evidence of the facts and/or matters stated therein and shall not be liable to any Noteholder or any other person for so doing.

The Trustee shall have no obligation or duty to monitor or ensure or to assist with the NDRC Post-Issue Filing within the timeframe specified in Condition 4(e) or to verify the accuracy, completeness, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-Issue Filing and/or the information and documents filed with the NDRC in the course of the NDRC Post-Issue Filing and/or the documents evidencing the NDRC Post-Issue Filing (if any) or to procure that any other certificate, confirmation, information or document filed with the NDRC in the course of the NDRC Post-Issue Filing which is not in English is translated into English or, if any English translation of any document is provided or retained or to verify the accuracy of any English translation of any certificate, confirmation or document, or to give notice to the Noteholders or any other person confirming the completion of the NDRC Post-Issue Filing, and shall not be liable to Noteholders or any other person for not doing so.

(g) **Definitions:** In these Conditions:

"**Audited Financial Reports**" means annual audited financial statements (on a consolidated basis and as audited by an internationally recognised firm of independent accountants) of the Guarantor, including a statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity, together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them, prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) and in the English language;

"**Compliance Certificate**" means a certificate in English and substantially in the form set out in the Trust Deed of each of the Issuer and the Guarantor (as the case may be) signed by any one of their respective Authorised Signatories that as at a date (the "**Certification Date**") not more than five days before the date of the certificate:

(i) no Event of Default (as defined in Condition 10) or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

each of the Issuer and the Guarantor (as the case may be) has complied with all its obligations under the Trust Deed and the Notes or, if non-compliance had occurred, giving details of it;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Issue Date**" has the meaning given in the attached Pricing Supplement;

"**Listed Subsidiary**" means, at any time, any Subsidiary of the Guarantor, the shares of which are at such time listed or dealt in or traded on a recognised stock exchange;

"**Macau**" means the Macau Special Administrative Region of the People's Republic of China;

"**NDRC**" means the National Development and Reform Commission of the PRC or its local counterparts;

"**NDRC Circular**" means the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on 14 September 2015 and any implementation rules, reports, certificates or guidelines as may be issued by the NDRC prior to the submission of such filing, as supplemented and amended from time to time;

"**NDRC Post-Issue Filing**" means the filing of the requisite information and documents with the NDRC within the prescribed timeframe in accordance with the NDRC Circular;

"**Permitted Security Interest**" means:

(i) any Security Interest on any property or asset existing at the time of acquisition of such property or assets or to secure the payment of all or any part of the purchase price or construction cost thereof or to secure any indebtedness incurred prior to, or at the time of, such acquisition or the completion of construction of such property or asset for the purpose of financing all or any part of the purchase price or construction cost thereof or any substitute security created on such property or asset in connection with the refinancing of indebtedness secured by the relevant property or asset;

(ii) any lien arising by operation of law;

(iii) any Security Interest on any property or asset securing Relevant Indebtedness if (a) by the terms of such indebtedness it is expressly provided that recourse by the holders of such indebtedness is limited to the properties or assets of the issuer or the borrower and the revenues to be generated by the operation of, or loss of or damage to, such properties or assets, for repayment of the moneys advanced and payment of interest thereon and (b) such indebtedness is not guaranteed by the Issuer or the Guarantor or any Principal Subsidiary;

(iv) any Security Interest on any property or asset of the Guarantor or any Principal Subsidiary which is created pursuant to any securitisation, repackaging or like arrangement in accordance with normal market practice;

"**Person**" means any company, corporation, firm, partnership, limited liability company, joint venture, association, trust, unincorporated organisation or government or any agency or political subdivision thereof;

"**Potential Event of Default**" means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 10 become an Event of Default;

"**PRC**" means the People's Republic of China which, for the purposes of these Conditions, shall not include Hong Kong, Macau and Taiwan;

"**PRC Business Day**" means a day (other than a Saturday or Sunday or a public holiday) on which commercial banks are open for business in the PRC;

"**Principal Subsidiary**" at any time shall mean any Subsidiary of the Guarantor:

(i) as to which one or more of the following conditions is/are satisfied:

(A) its net profit for the year or (in the case of a Subsidiary which has Subsidiaries) consolidated net profit for the year attributable to the Guarantor (in each case before taxation and exceptional items) is at least 10 per cent. of the Guarantor's consolidated net profit attributable to equity owners for the year (before taxation and exceptional items); or

(B) its net assets or (in the case of a Subsidiary which has Subsidiaries) consolidated net assets attributable to the Guarantor (in each case after deducting minority interests in Subsidiaries) are at least 10 per cent. of the Guarantor's consolidated net assets (after deducting minority interests in Subsidiaries);

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the relevant Subsidiary and the Guarantor's then latest consolidated financial statements; or

(ii) to which is transferred all or substantially all of the assets of a Subsidiary of the Guarantor which immediately prior to the transfer was a Principal Subsidiary, provided that, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (but without prejudice to paragraph (i) above), and the relevant Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary as at the date on which the first audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraph (i) of this definition.

For the purposes of this definition:

(1) if there shall not at any time be any relevant audited consolidated accounts of the Guarantor and its Subsidiaries, references thereto herein shall be deemed to be references to a consolidation (which need not be audited) by the Guarantor, auditors or such other person as the Trustee may in its absolute discretion approve of the relevant audited accounts of the Guarantor and its Subsidiaries;

(2) in the case of a Subsidiary acquired after the end of the financial period to which the then latest relevant audited financial statements relate, the reference to the then latest audited financial statements for the purposes of the calculation above shall, until audited financial statements for the financial period in which the acquisition is made are published, be deemed to be a reference to the financial statements of the Guarantor adjusted to consolidate the latest audited financial statements of the Subsidiary;

(3) if, in the case of a Subsidiary which itself has one or more Subsidiaries, no consolidated financial statements are prepared and audited, its consolidated net profit for the year and net assets shall be determined on the basis of pro forma consolidated financial statements of the relevant Subsidiary and its Subsidiaries prepared for this purpose and opined on by its auditors;

(4) if the financial statements of a Subsidiary (not being a Subsidiary referred to in clause (2) above) are not consolidated with those of the Guarantor, then the determination of whether or not the Subsidiary is a Principal Subsidiary shall, if the Guarantor requires, be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements of the Guarantor and its Subsidiaries;

(5) if (A) any Subsidiary shall not in respect of any relevant financial period for whatever reason produce audited accounts or (B) any Subsidiary shall not have produced at the relevant time for the calculations required pursuant to this definition audited accounts for the same period as (or a period which the Trustee in its absolute discretion shall consider to be substantially comparable to) the period to which the latest audited accounts of the Guarantor and its Subsidiaries relate, then there shall be substituted for the purposes of this definition the management accounts of such Subsidiary for such period;

(6) where any Subsidiary is not wholly-owned by the Guarantor there shall be excluded from all calculations all amounts attributable to minority interests;

(7) in calculating any amount, all amounts owing by or to the Guarantor and any Subsidiary to or by the Guarantor and any Subsidiary shall be excluded; and

(8) in the event that accounts of any companies being compared are prepared on the basis of different generally accepted accounting principles, there shall be made such adjustments to any relevant financial items as an Authorised Signatory of the Guarantor shall certify in writing to the Trustee as being necessary to achieve a true and fair comparison of such financial items.

A certificate in writing to the Trustee signed by an Authorised Signatory of the Guarantor as to whether or not a Subsidiary is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error;

"**Rating Agency**" means any one of (i) S&P Global Ratings, a division of S&P Global Inc., and its successors ("**S&P**"); (ii) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("**Moody's**"); (iii) Fitch Ratings Ltd. and its successors ("**Fitch**"); or (iv) if one or more of S&P, Moody's or Fitch shall not make a rating of the Notes publicly available, any other internationally recognised securities rating agency or agencies, as the case may be, selected by the Guarantor and notified in writing to the Trustee, which shall thereupon be substituted for S&P, Moody's or Fitch or any combination thereof, as the case may be;

"**Relevant Indebtedness**" means any present or future indebtedness issued outside the PRC (whether being principal, premium, interest or other amounts) in the form of, or represented by, any notes, bonds, debentures, debenture stock, loan stock, certificates or other securities which are, or are intended to be or capable of being quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other securities market, and shall not include any Structured Product which is not issued for capital raising purposes or any bi-lateral loans, syndicated loans or club deal loans;

"**Relevant Period**" means, in relation to the Audited Financial Reports, each period of 12 months ending on the last day of the Guarantor's financial year (which, unless otherwise notified to the Trustee and to the Noteholders in accordance with Condition 16, shall be 31 December of that financial year);

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Structured Product**" means:

(i) an instrument under which some or all of the return or amount due (or both the return and the amount due) or the method of settlement is determined by reference to one or more of: (A) changes in the price, value or level (or a range within the price, value or level) of any type or combination of types of securities, commodity, index, property, interest rate, currency exchange rate or futures contract; (B) changes in the price, value or level (or a range within the price, value or level) of any basket of more than one type, or any combination of types, of securities, commodity, index, property, interest rate, currency exchange rate or futures contract; or (C) the occurrence or non-occurrence of any specified event or events (excluding an event or events relating only to the issuer or guarantor of the instrument or to both the issuer and the guarantor);

(ii) a regulated investment agreement; or

(iii) any interests, rights or property prescribed, or of a class or description prescribed, by notice under section 392 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") as being regarded as structured products in accordance with the notice,

but does not include:

(1) a debenture issued for capital fund raising purposes that is convertible into or exchangeable for shares (whether issued or unissued) of the issuer of the debenture or of a related corporation of such issuer;

(2) a subscription warrant issued for capital fund raising purposes that entitles the holder to subscribe for shares (whether issued or unissued) of the issuer of the warrant or of a related corporation of such issuer;

(3) a collective investment scheme;

(4) a depositary receipt;

(5) a debenture that would come within subparagraph (i) only because it has a variable interest rate that is reset periodically to equate to a money market or interbank reference interest rate that is widely quoted (whether or not subject to a predetermined maximum or minimum rate) plus or minus a specified rate (if any);

(6) a product under which some or all of the return or amount due (or both the return and the amount due) or the method of settlement is determined by reference to securities of a corporation, or of a related corporation of the corporation, and that is issued by the corporation only to a person who is: (A) a bona fide employee or former employee of the corporation or of a related corporation of the corporation; or (B) a spouse, widow, widower, minor child (natural or adopted) or minor stepchild of a person referred to in subparagraph (A);

(7) a product that may be possessed, promoted, offered, sold, printed or published only: (A) under a licence, permission or other authorisation under the Betting Duty Ordinance (Cap.108) of Hong Kong or the Gambling Ordinance (Cap.148) of Hong Kong; or (B) under the Government Lotteries Ordinance (Cap.334) of Hong Kong;

(8) an instrument issued in relation to: (A) a contest authorised by section 37 of the Broadcasting Ordinance (Cap. 562) of Hong Kong; or (B) a contest included in a service licensed under Part 3A of the Telecommunications Ordinance (Cap 106) of Hong Kong; or (C) a contract of insurance in relation to any class of insurance business specified in Schedule 1 to the Insurance Ordinance (Cap. 41) of Hong Kong; or

(9) any interests, rights or property prescribed, or of a class or description prescribed, by notice under section 392 of the SFO as not being regarded as structured products in accordance with the notice,

and for the avoidance of doubt, the term "Structured Product" shall not include any floating rate debt securities and hybrid capital securities provided they are not otherwise caught by sub-paragraphs (i) to (iii) above; and

"**Subsidiary**" means, in relation to any Person, any company which at any time has its accounts consolidated with those of that Person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such Person from time to time, should have its accounts consolidated with those of that Person.

E. INTEREST AND OTHER CALCULATIONS

The amount payable in respect of the aggregate nominal amount of Notes represented by a Global Certificate or a Global Note (as the case may be) shall be made in accordance with the methods of calculation provided for in the Conditions and the applicable Pricing Supplement, save that the calculation is made in respect of the total aggregate amount of the Notes represented by such Global Certificate or Global Note (as the case may be), together with such other sums and additional amounts (if any) as may be payable under the Conditions.

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

1. **Interest Payment Dates:** Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, "**Interest Payment Date**" shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

2. **Business Day Convention:** If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified hereon is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

3. **Rate of Interest for Floating Rate Notes:** The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ***ISDA Determination for Floating Rate Notes***

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11:00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or 11:15 a.m. (Hong Kong time in the case of CNH HIBOR) or if, at or around that time it is notified that the fixing will be published at 2:30 p.m. (Hong Kong time), then as of 2:30 p.m. (Hong Kong time, in the case of CNH HIBOR), as the case may be, on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR or HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon;

(y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Calculation Agent suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

Benchmark Discontinuation

(x) Independent Adviser

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(b)(iii)(C)(y)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(b)(iii)(C)(z)(aa)). In making such determination, the Independent Adviser appointed pursuant to this Condition 5(b)(iii)(C) shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Guarantor, the Trustee, the Paying Agents or the Noteholders for any determination made by it, pursuant to this Condition 5(b)(iii)(C).

If (1) the Issuer is unable to appoint an Independent Adviser; or (2) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(b)(iii)(C)(x) prior to the date which is 10 Business Days prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(b)(iii)(C)(x).

(y) Successor Rate or Alternative Rate

If the Independent Adviser determines that:

(1) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(b)(iii)(C)); or

(2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(b)(iii)(C)).

(z) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(aa) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(b)(iii)(C) and the Independent Adviser determines (1) that amendments to these Conditions, the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (2) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(b)(iii)(C)(z)(bb), without any requirement for the consent or approval of Noteholders, vary these Conditions, the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee, the Calculation Agent(s) and the Agents of a certificate signed by an Authorised Signatory of the Issuer pursuant to Condition 5(b)(iii)(C)(z)(bb), the Trustee, the Calculation Agent(s) and the Agents shall (at the direction and expense of the Issuer, failing which the Guarantor), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer and the Guarantor in effecting any Benchmark Amendments and any consequential amendments to the Trust Deed, the Agency Agreement and/or these Conditions as may be required in order to give effect to this Condition 5(b)(iii)(C) (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee, the Calculation Agent(s) and the Agents shall not be obliged so to concur if in the sole opinion of the Trustee, the relevant Calculation Agent and the Agents (as the case may be), doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee, the relevant Calculation Agent(s) and the Agent(s) (as the case may be) in these Conditions, the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) or the Agency Agreement in any way. None of the Trustee, the Calculation Agent(s) or the Agents shall be responsible or liable for any determinations or certifications made by the Issuer or the Independent Adviser with respect to any Successor Rate or Alternative Rate (as applicable) or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

In connection with any such variation in accordance with this Condition 5(b)(iii)(C)(z)(aa), the Issuer and the Guarantor shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(bb) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(b)(iii)(C) will be notified at least 10 Business Days prior to the relevant Interest Determination Date by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 16, to the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee, the Paying Agents, the Calculation Agent(s) and the Noteholders of the same, the Issuer shall deliver to the Trustee, the Calculation Agent(s) and the Agents a certificate in English signed by an Authorised Signatory of the Issuer:

(1) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(b)(iii)(C); and

(2) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Trustee, the Calculation Agent(s) and the Agents shall be entitled to rely on such certificate (without investigation or verification and without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the ability of the Trustee, the Calculation Agent(s) or the Agents to rely on such certificate as aforesaid) be binding on the Issuer, the Guarantor, the Trustee, the Calculation Agent(s), the Agents and the Noteholders. The Trustee, the Calculation Agent(s) and the Agents shall be protected and shall have no liability to any Noteholder or any other person for so accepting and relying on any such certificate.

Notwithstanding any other provision of this Condition 5(b)(iii)(C), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5(b)(iii)(C), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so.

(cc) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 5(b)(iii)(C)(x), Condition 5(b)(iii)(C)(y) and Condition 5(b)(iii)(C)(z), the Original Reference Rate and the fallback provisions provided for in Condition 5(b)(iii)(B) will continue to apply unless and until a Benchmark Event has occurred.

Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it deems appropriate.

4. **Rate of Interest for Index Linked Interest Notes:** The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum Rate of Interest/Minimum Rate of Interest, Maximum Instalment Amount/Minimum Instalment Amount and Maximum Redemption Amount/Minimum Redemption Amount and Rounding:**

(i) If any Margin is specified hereon (either (A) generally, or (B) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (A), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (B), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

If any Maximum Rate of Interest or Minimum Rate of Interest, Maximum Instalment Amount or Minimum Instalment Amount or Maximum Redemption Amount or Minimum Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (A) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (B) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (C) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the jurisdiction(s) of such currency.

(h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, each of the Transfer Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information as soon as possible after their determination but in no event later than the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5 and notified to the Trustee, the Issuer, each of the Paying Agents and any other Calculation Agent appointed in respect of the Notes but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) **Determination or Calculation by an agent of the Issuer:** Without prejudice to the provisions of Condition 5(l) below, if the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Issuer shall appoint an agent on its behalf to do so (and notify the Trustee in writing of such appointment) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, such agent shall apply the foregoing provisions of this Condition 5, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(k) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Adjustment Spread**" means either (i) a spread (which may be positive, negative or zero) or (ii) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

1. in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

2. the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or

3. (if the Independent Adviser determines that no such spread is customarily applied), the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be);

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5(b)(iii)(C)(y) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes;

"**Applicable Maturity**" means: (i) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (ii) in relation to ISDA Determination, the Designated Maturity;

"**Benchmark Amendments**" has the meaning given to it in Condition 5(b)(iii)(C)(z)(aa);

"**Benchmark Event**" means:

(i) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or

(ii) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(iii) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or

(v) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

(vi) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or any other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that the Benchmark Event shall be deemed to occur (A) in the case of sub-paragraphs (ii) and (iii) above of this definition, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (B) in the case of sub-paragraph (iv) above of this definition, on the date of the prohibition of use of the Original Reference Rate and (C) in the case of sub-paragraph (v) above of this definition, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Trustee, the Calculation Agent(s), the Paying Agents and the Noteholders. For the avoidance of doubt, none of the Trustee, the Calculation Agent, the Paying Agents or any other Agent shall have any responsibility for making such determination and none of them shall be liable to Noteholders or any other person for any such determination;

"**Business Day**" means:

(i) in the case of a currency other than euro or Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and in each (if any) Additional Business Centre; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**") and in each (if any) Additional Business Centre; and/or

(iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are generally open for business and settlement of Renminbi payments in Hong Kong;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{(a) Day Count Fraction} \quad \text{(b)} = \frac{\text{(c)}\ [360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{\text{(d)}\ 360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{(e) Day Count Fraction} \quad \text{(f)} = \frac{\text{(g)}\ [360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{\text{(h)}\ 360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{(i) Day Count Fraction} \quad \text{(j)} = \frac{\text{(k) } [360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{\text{(l) } 360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (A) that day is the last day of February or (B) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (A) that day is the last day of February but not the Maturity Date or (B) such number would be 31, in which case D_2 will be 30;

if "**Actual/Actual-ICMA**" is specified hereon,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

4. if the Calculation Period is longer than one Determination Period, the sum of:

   (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

   (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

   where:

   "**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

   "**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s);

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5(b)(iii)(C)(x) and notified to the Trustee in writing;

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date;

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (ii) the day falling two Business Days in the relevant Financial Centre for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR;

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified thereon;

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon;

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (as may be updated, amended or supplemented from time to time), unless otherwise specified hereon;

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes;

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (C) a group of the aforementioned central banks or other supervisory authorities or (D) the Financial Stability Board or any part thereof;

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market, in each case selected by the Calculation Agent or as specified hereon;

"**Reference Rate**" means the rate specified as such hereon;

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service);

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated;

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body; and

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(l) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with prior written notice to the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(m) **Certificates to be final:** All certificates, communications, opinions, determinations, calculations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Calculation Agent or the Trustee, shall (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Guarantor, the Trustee, the Calculation Agent, the other Agents and all Noteholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders or the Couponholders or any other person shall attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

F. REDEMPTION, PURCHASE AND OPTIONS

(a) **Redemption by Instalments and Final Redemption:**

1. Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

2. Unless previously redeemed or purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within Condition 6(a)(i) above, its final Instalment Amount.

(b) **Early Redemption:**

(i) Zero Coupon Notes:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below of this Condition 6(b)(i), the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above of this Condition 6(b)(i), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) ***Other Notes:*** The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(b)(i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (in accordance with Condition 16) and to the Trustee and the Issuing and Paying Agent in writing (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to (but excluding) the date fixed for redemption), if the Issuer (or, if the Guarantee was called, the Guarantor) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the giving of any notice of redemption pursuant to this Condition 6(c), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee (A) a certificate in English signed by an Authorised Signatory of the Issuer (or of the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(c) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and (B) an opinion of independent tax or legal advisers of recognised standing addressed to and in form and substance satisfactory to the Trustee, to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change in or amendment to laws or regulations or change in the application or official interpretation thereof, and the Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (i) and (ii) above of this Condition 6(c) without further enquiry and without liability to any Noteholder or any other person, in which event the same shall be conclusive and binding on the Noteholders. The Trustee shall be protected and shall have no liability to any Noteholder or any other person for so accepting and relying on any such certificate and opinion. All Notes in respect of which any notice of redemption is given under this Condition 6(c) shall be redeemed on the date specified in such notice in accordance with this Condition 6(c).

(d) **Redemption for a Change of Control:** At any time following the occurrence of a Change of Control, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date at 101 per cent. of their nominal amount, together with accrued interest to (but excluding), such Put Settlement Date. To exercise such right, the holder of the relevant Note must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and (in the case of Fixed Rate Notes other than Dual Currency Notes or Index-Linked Notes) Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificates representing such Note(s) with the Registrar or any other Transfer Agent at its specified office together with a duly completed and signed notice of redemption, substantially in the form scheduled to the Agency Agreement, obtainable from the specified office of any Paying Agent, Transfer Agent or the Registrar (as applicable) (a "**Put Exercise Notice**"), by not later than 30 days following the occurrence of a Change of Control (the "**Initial Exercise Period**") or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 16 (the "**Substituted Exercise Period**").

The "**Put Settlement Date**" shall be the 14th day after the expiry of (i) the Initial Exercise Period where the option is exercised during the Initial Exercise Period and the Substituted Exercise Period does not commence before expiry of the Initial Exercise Period or (ii) in all other circumstances, the Substituted Exercise Period.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes which are the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to Noteholders in accordance with Condition 16 and to the Trustee and the Issuing and Paying Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of their Notes pursuant to this Condition 6(d).

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Change of Control has occurred and none of them shall be responsible for or liable to the Noteholders, the Issuer, the Guarantor or any other person for any loss arising from any failure to do so.

In this Condition 6(d):

a "**Change of Control**" occurs when:

(i) China Merchants Bank Co., Ltd (招商銀行股份有限公司) ceases to, directly or indirectly, own or control at least 51 per cent. of the issued share capital of the Guarantor; or

(ii) the Guarantor ceases to, directly or indirectly, own or control at least 51 per cent. of the issued share capital of the Issuer.

(e) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, at any time upon giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (in accordance with Condition 16) and to the Trustee and the Issuing and Paying Agent in writing (or such other notice period as may be specified hereon) (which notice shall be irrevocable) redeem the Notes in whole or, if so provided, in part on any Optional Redemption Date specified hereon. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to (but excluding) the date fixed for redemption, if applicable. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount specified hereon and no greater than the Maximum Redemption Amount specified hereon. In the case of Registered Notes redeemed in part, each Note shall be redeemed in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date bears to the aggregate principal amount of outstanding Notes on such date.

Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(e).

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(f) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 30 nor more than 60 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) specified hereon at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to (but excluding) the date fixed for redemption, if applicable.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any other Transfer Agent at its specified office, together with a duly completed option exercise notice (an "**Exercise Notice**"), substantially in the form scheduled to the Agency Agreement, obtainable from any Paying Agent, the Registrar or any other Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior written consent of the Issuer.

(g) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6 and the provisions specified hereon.

(h) **Purchases:** The Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for certain purposes, including for the purpose of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11(a) and 12.

(i) **Cancellation:** All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries shall be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

(j) **Trustee Reliance:** The Trustee shall be entitled to conclusively rely on or act in reliance on any certificate, notice or document received by it as contemplated in this Condition 6 as sufficient evidence of the facts and/or matters stated therein and shall not be liable to any Noteholder or any other person for so doing.

Neither the Trustee nor any of the Agents shall be under any duty to monitor whether any event or circumstance has happened or exists within or as contemplated in this Condition 6 and none of them will be responsible or liable to the Noteholders or any other person for any loss arising from any failure by it to do so. Unless and until the Trustee or any Agent has notice in writing of the occurrence of any event or circumstance within this Condition 6, it shall be entitled to assume that no such event or circumstance has occurred or exists.

Neither the Trustee nor any of the Agents (other than, where specifically provided for in these Conditions, the relevant Calculation Agent) shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption under this Condition 6, whether from the Issuer or any Noteholder and none of them shall be liable to the Noteholders, the Issuer, the Guarantor or any other person for not doing so.

G. PAYMENTS AND TALONS

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for final redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii) and Condition 7(f)(vi)), as the case may be:

1. in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by transfer to an account denominated in such currency with a Bank;

2. in the case of Renminbi, by transfer from the relevant Paying Agent's office outside the United States to a Renminbi account maintained by or on behalf of the Noteholder with a Bank in Hong Kong.

In this Condition 7(a) and Condition 7(c), "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System or, in the case of Renminbi, in Hong Kong.

(b) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(c) **Registered Notes:**

(i) Payments of principal (which for the purposes of this Condition 7(c) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of the Registrar or any other Transfer Agent and in the manner provided in Condition 7(c)(ii).

(ii) Interest (which for the purpose of this Condition 7(c) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or in the case of Renminbi or otherwise specified, on the fifth business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(A) in the case of a currency other than Renminbi, in the relevant currency by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(B) in the case of Renminbi, by transfer to Renminbi account maintained by or on behalf of the Noteholder with a Bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

So long as the Notes are represented by a Global Note or Global Certificate and the Global Note or Global Certificate is held by or on behalf of Euroclear or Clearstream or an Alternative Clearing System (as defined in the form of the Global Note or Global Certificate), each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payment, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Payment of interest or principal by the CMU Lodging and Paying Agent to the person for whose account a relevant interest in a Global Note or a Global Certificate is credited as being held by the CMU Service at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the relevant CMU rules) or any other relevant notification by the CMU Service shall discharge the obligations of the Issuer in respect of that payment.

(d) **Payments subject to Fiscal Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives applicable thereto in the place of payment (but without prejudice to the provisions of Condition 8) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law, regulation or official guidance implementing an intergovernmental approach thereto but no commission or expenses shall be charged to the Noteholders, Receiptholders or Couponholders in respect of such payments.

(e) **Unmatured Coupons and Receipts and unexchanged Talons:**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(f) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent on any business day in the location of the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(g) **Redemption Date Not an Interest Payment Date:** If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

In this Condition 7, "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Additional Financial Centres" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

H. TAXATION

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts, the Coupons or under the Guarantee shall be made without set-off or counterclaim and free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate of up to and including the applicable tax rate as at the date on which agreement is reached to issue the first Tranche of Notes (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required so that the net amount received by Noteholders, Receiptholders or Couponholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding by or within any Relevant Jurisdiction (except the PRC at the rate up to and including the Applicable Rate), the Issuer or, as the case may be, the Guarantor in such event shall pay such additional amounts ("**Additional Tax Amounts**") so that the net amount received by Noteholders, Receiptholders or Couponholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required, except that no such Additional Tax Amounts shall be payable in respect of any Note, Receipt or Coupon:

(a) to, or to a third party on behalf of, a Noteholder, Receiptholder or Couponholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with such Relevant Jurisdiction other than the mere holding of the Note, Receipt or Coupon; or

(b) to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it), Receipt or Coupon is presented for payment; or

(c) presented (or in respect of which the Certificate representing it is presented) for payment (where presentation is required) more than 30 days after the Relevant Date except to the extent that the Noteholder, Receiptholder or Couponholder would have been entitled to such Additional Tax Amounts on presenting it for payment on the thirtieth day.

As used in these Conditions,

"**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Noteholders in accordance with Condition 16 that, upon further presentation of the Note (or relevant Certificate), Receipt or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed; and

"**Relevant Jurisdiction**" means the British Virgin Islands, Hong Kong or the PRC or any other jurisdiction to which the Issuer or the Guarantor becomes subject in respect of payments made by it of principal, premium and interest on the Notes, and in each case any political subdivision or any authority therein or thereof having power to tax.

For the avoidance of doubt, neither the Trustee nor any Agent shall be responsible or liable for paying any tax, duty, charge, assessment, governmental charge, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of the Trustee or any of the Agents shall be responsible or liable for (A) determining whether the Issuer, the Guarantor or any Noteholder, Receiptholder or Couponholder is liable to pay any tax, duty, charge, assessment, governmental charge, withholding or other payment referred to in this Condition 8; or (B) determining the sufficiency or insufficiency of any amounts so paid. None of the Trustee or the Agents shall be responsible or liable for any failure of the Issuer, the Guarantor, any Noteholder, Receiptholder or Couponholder, or any other third party to pay such tax, duty, charge, assessment, governmental charge, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, assessment, governmental charge, withholding or other payment imposed by or in any jurisdiction.

I. PRESCRIPTION

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall (subject as provided in Condition 7(f)(i)) be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

J. EVENTS OF DEFAULT

If any of the following events (each an "**Event of Default**") occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in nominal amount of the Notes then outstanding (as defined in the Trust Deed) or if so directed by an Extraordinary Resolution shall (provided in any case that the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer and the Guarantor declaring that the Notes are, and they shall immediately become, due and payable at (in the case of Zero Coupon Notes) their Early Redemption Amount or (in the case of Notes other than Zero Coupon Notes) their nominal amount together (if applicable) with accrued interest:

(a) **Non-Payment:** there has been a failure to pay (i) the principal of any of the Notes within seven days after the due date of such payment; or (ii) any interest on any of the Notes within 30 days after the due date of such payment; or

(b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed (other than where it gives rise to a right of redemption pursuant to Condition 6(d)) which default is incapable of remedy or is not remedied within 45 days after the Trustee has given written notice thereof to the Issuer and the Guarantor; or

(c) **Cross-Acceleration:** (i) any other present or future indebtedness of the Issuer, the Guarantor or any Principal Subsidiary for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of an event of default or potential event of default (howsoever described), or (ii) the Issuer, the Guarantor or any Principal Subsidiary fails to make any payment in respect of any such indebtedness when due or within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any Principal Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity given by it in respect of, any moneys borrowed or raised provided that the aggregate outstanding amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred at any time equals or exceeds U.S.$25 million or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 10(c) operates); or

(d) **Unsatisfied Judgement:** if one or more judgment(s) or order(s) for the payment of any amount exceeding U.S.$15 million (or its equivalent in any other currency or currencies) is rendered against the Issuer, the Guarantor or any Principal Subsidiary and continue(s) to not be satisfied and stayed for a period of 45 days after the date(s) thereof or, if later, the date therein specified for payment and no further appeal or judicial review from such judgment is permissible under applicable law; or

(e) **Security Enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Principal Subsidiary; or

(f) **Insolvency:** (i) the Issuer, the Guarantor or any Principal Subsidiary becomes insolvent or is unable to pay all or a substantial part of its debts as they fall due, (ii) an administrator or liquidator is appointed in respect of the Issuer, the Guarantor or any Principal Subsidiary or the whole or a substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Principal Subsidiary, (iii) the Issuer, the Guarantor or any Principal Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or

(g) **Winding-up:** (i) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Guarantor or any Principal Subsidiary (otherwise than, in the case of a Principal Subsidiary, any voluntary solvent winding up, liquidation or dissolution in the normal course of business), or (ii) the Issuer, the Guarantor or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business (otherwise than, in the case of a Principal Subsidiary, (a) for the purposes of or pursuant to an amalgamation, reorganisation, merger, consolidation or restructuring whilst solvent; (b) any voluntary solvent winding up, liquidation or dissolution in the normal course of business or (c) pursuant to a disposal on an arm's length basis where the undertaking and assets (whether in cash or otherwise) resulting from such disposal are transferred to otherwise vested in the Issuer, the Guarantor or any Subsidiary of the Guarantor); or

(h) **Government Intervention**: (i) all or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Principal Subsidiary is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or (ii) the Issuer, the Guarantor or any Principal Subsidiary is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues; or

(i) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order to make the Notes, the Coupons, the Receipts, the Register and the Trust Deed admissible in evidence in the courts of England, the British Virgin Islands and Hong Kong is not taken, fulfilled or done, except where the failure to take, fulfil or do such action, condition or thing gives rise to a right of redemption pursuant to Condition 6(d); or

(j) **Illegality:** it is or will become unlawful for either the Issuer and the Guarantor to perform or comply with any one or more of their respective obligations under any of the Notes, the Coupons, the Receipts or the Trust Deed; or

(k) **Unenforceability of Notes, Trust Deed or Guarantee:** any of the Notes or the Trust Deed or any part of the Guarantee (except as permitted under the Trust Deed) is unenforceable or invalid or shall for any reason cease to be in full force and effect or the Guarantor denies or disaffirms its obligations under the Trust Deed; or

(l) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 10(d) to 10(h) (both inclusive).

K. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

(a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed and the Agency Agreement. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee upon the written request of Noteholders holding not less than 10 per cent. in aggregate nominal amount of the Notes for the time being outstanding (as defined in the Trust Deed) and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate nominal amount of the Notes for the time being outstanding (as defined in the Trust Deed), or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any Redemption Amount in respect of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (viii) to modify or cancel the relevant Guarantee otherwise than in accordance with Condition 11(b), in which case the necessary quorum will be two or more persons holding or representing not less than two-thirds or at any adjourned meeting not less than one-third in aggregate nominal amount of the Notes for the time being outstanding (as defined in the Trust Deed). Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Receiptholders and Couponholders.

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of the holders of not less than three-fourths in aggregate nominal amount of the Notes for the time being outstanding (as defined in the Trust Deed), or (B) passed by Electronic Consent shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The Conditions may be amended, supplemented or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) **Modification of Agreements and Deeds:** The Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders, Receiptholders or Couponholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Noteholders in accordance with Condition 16 as soon as practicable thereafter. In addition, the Trustee and the Calculation Agent(s) shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances set out in Condition 5(b)(iii)(C) without the consent of the Noteholders, Receiptholders or Couponholders.

(c) **Entitlement of the Trustee:** In connection with the exercise of its duties, functions, rights, authorities, powers and discretions (including but not limited to those referred to in this Condition 11) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders, and the Trustee shall not be entitled to require on behalf of any Noteholder, Receiptholder or Couponholder, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

L. ENFORCEMENT

At any time after the Notes become due and payable, the Trustee may (but shall not be obliged to), at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer or the Guarantor as it may think fit to enforce the terms of the Trust Deed and the Notes, but it need not take any such steps and/or actions and/or institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in aggregate nominal amount of the Notes then outstanding (as defined in the Trust Deed), and (b) it shall first have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder, Receiptholder and/or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

M. INDEMNIFICATION OF THE TRUSTEE, APPOINTMENT OF AGENTS

(a) **Indemnification of the Trustee**: The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including, without limitation, provisions relieving it from taking such steps and/or actions and/or instituting such proceedings to enforce payment under the Trust Deed, the Agency Agreement and/or these Conditions and in respect of the Notes unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and/or any entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer and/or the Guarantor in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Noteholder, Receiptholder or Couponholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, directions, requests or resolutions of the Noteholders. The Trustee shall be entitled to rely on any instruction, direction, request or resolution of Noteholders given by holders of the requisite nominal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed. Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Noteholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders or any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received. The Trustee and the Agents shall not be under any obligation to ascertain whether any Event of Default or Potential Event of Default (as defined in the Trust Deed) or Change of Control, as the case may be, has occurred or may occur or to monitor compliance by the Issuer or the Guarantor with the provisions of the Trust Deed, the Agency Agreement or these Conditions.

The Trustee and the Agents may rely without liability to the Issuer, the Guarantor, Noteholders, Receiptholders or Couponholders or any other person on any report, confirmation, opinion, information or certificate or any advice of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to them and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee or any Agent may accept and shall be entitled to rely on any such report, confirmation, opinion, information or certificate or advice and, in such event, such report, confirmation, opinion, information or certificate or advice shall be binding on the Issuer, the Guarantor, the Noteholders, Receiptholders and the Couponholders.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Guarantor and their respective Subsidiaries, and the Trustee shall not at any time have any responsibility for the same and each Noteholder, Receiptholder and Couponholder shall not rely on the Trustee in respect thereof.

(b) **Appointment of Agents**: The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the other Paying Agents, the Registrar, the other Transfer Agents and the Calculation Agent(s) initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the other Paying Agents, the Registrar, the other Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor (or, in certain circumstances specified in the Trust Deed and the Agency Agreement, of the Trustee) and do not assume any obligation or relationship of agency or trust for or with any Noteholder, Receiptholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee (where required in accordance with these Conditions and/or the Agency Agreement) to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any other Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, Transfer Agents or Calculation Agents, provided that the Issuer and the Guarantor shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where these Conditions so require, and (vi) such other agents as may be required by any stock exchange on which the Notes may be listed, in each case, as approved by the Trustee.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(b).

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Noteholders in accordance with Condition 16.

N. REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is mutilated or defaced or is alleged to have been lost, stolen or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders in accordance with Condition 16, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, undertaking, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer, the Issuing and Paying Agent and/or the Registrar in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer or the relevant Agent may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

O. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders, Receiptholders or Couponholders create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, the issue price, the first payment of interest on them, the timing for submission of the NDRC Post-Issue Filing (if applicable) and the timing for making and completing the related notifications to the Trustee and the Noteholders) and so that such further issue shall be consolidated and form a single series with the outstanding Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any such other securities issued pursuant to this Condition 16.

P. NOTICES

Notices required to be given to the holders of Registered Notes pursuant to these Conditions shall be in English and mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, a Sunday or a public holiday) after the date of mailing and, so long as the Notes are listed on a stock exchange and the rules of that exchange so require, published at the expense of the Issuer, failing which the Guarantor, in a leading newspaper having general circulation in Asia and/or in such manner which complies with the rules and regulations of that stock exchange or such relevant authority. Notices required to be given to the holders of Bearer Notes pursuant to these Conditions shall be valid if in English and published in a daily newspaper of general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Receiptholders and Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

So long as the Notes are represented by a Global Note or Global Certificate and the Global Note or Global Certificate is held by or on behalf of: (i) Euroclear or Clearstream or an Alternative Clearing System (as defined in the form of the Global Note or Global Certificate), any notice to the holders of the Notes shall be validly given by the delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions; or (ii) the CMU, any notice to the holders of the Notes may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the business day preceding the date of despatch of such notice.

Q. CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Receipt or Coupon is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer, the Guarantor or otherwise) by the Trustee or any Noteholder, Receiptholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer and the Guarantor to the extent of the amount in the currency of payment under the relevant Note, Receipt or Coupon that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Receipt or Coupon, the Issuer and the Guarantor jointly and severally shall indemnify it, on demand, against any loss sustained by it as a result. In any event, the Issuer and the Guarantor jointly and severally shall indemnify, on demand, the recipient against the cost of making any such purchase. For the purposes of this Condition 17, it shall be sufficient for the Trustee or the Noteholder, Receiptholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the other obligations of the Issuer and the Guarantor, respectively, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by the Trustee and/or any Noteholder, Receiptholder or Couponholder and shall continue to be in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Receipt or Coupon or any other judgment or order.

R. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Without prejudice to the rights of the Noteholders as set out in these Conditions, no person shall have any right to enforce any term or condition of the Notes or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 except (a) as contemplated in Conditions 12 and 17 and (b) to the extent expressly provided for in these Conditions and in the Trust Deed.

S. GOVERNING LAW AND JURISDICTION

(a) **Governing Law:** The Trust Deed, the Notes, the Receipts, the Coupons and the Talons, the Agency Agreement and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, the laws of England.

(b) **Jurisdiction:** The courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, Receipts, Coupons or Talons, the Agency Agreement and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons, the Agency Agreement or the Trust Deed ("**Proceedings**") shall be brought in the courts of England. Pursuant to the Trust Deed, each of the Issuer, the Guarantor and the Trustee has irrevocably submitted to the exclusive jurisdiction of the courts of England and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) **Agent for Service of Process:** Each of the Issuer and the Guarantor has, in the Trust Deed, irrevocably appointed China Merchants Bank London Branch at 18/F, 20 Fenchurch Street, London EC3M 3BY as its agent for service of in any Proceedings and agrees that, in the event of China Merchants Bank London Branch being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England on terms acceptable to the Trustee, failing which the Trustee may appoint another process agent for this purpose. The Issuer and the Guarantor each agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition 19 shall affect the right to serve process in any other manner permitted by law.

(d) **Independence and Waiver of Immunity:**

Each of the Issuer and the Guarantor has under the Trust Deed waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Terms used in this section that are not otherwise defined shall have the meanings given to them in "Terms of Conditions of the Notes".

INITIAL ISSUE OF NOTES

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream (the "**Common Depositary**") or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note or a Global Certificate with the Common Depositary or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee of the Common Depositary for Euroclear and Clearstream or (ii) the Hong Kong Monetary Authority as operator of the CMU and delivery of the relevant Global Note or Global Certificate to the Common Depositary or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Each of the persons shown in the records of Euroclear, Clearstream or any other clearing system (an "**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU Lodging and Paying Agent (as agent of the Issuer) for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

EXCHANGE

Temporary Global Notes

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with TEFRA C or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme – Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a Permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

The holder of a Temporary Global Note issued pursuant to TEFRA D will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused. The payments in respect of a Note issued under TEFRA D pursuant to Conditions 6(d) and 6(f) may not be collected without certificate as to non-U.S. beneficial ownership.

In respect of a Note issued under TEFRA D, for the purpose of dealing in Euroclear or Clearstream or the CMU, any further issue of Notes by the Issuer pursuant to Condition 15 may not be consolidated and form a single series with the outstanding securities of any series (including the Notes) until the exchange of interests in a Temporary Global Note for interests in a Permanent Global Note upon the relevant Certification.

Permanent Global Notes

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided in the paragraph titled "Partial Exchange of Permanent Global Notes" below, in part for Definitive Notes if the Permanent Global Note is held on behalf of Euroclear, Clearstream, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a nominal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a nominal amount of Notes such that it holds an aggregate nominal amount equal to one or more Specified Denominations.

Global Certificates

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfer of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In the event that a Global Certificate is exchanged for a definitive Certificate, such definitive Certificate shall be issued in Specified Denomination(s) only. A Noteholder who holds a nominal amount of less than the minimum Specified Denomination will not receive a definitive Certificate in respect of such holding and would need to purchase a nominal amount of Notes such that it holds an aggregated nominal amount equal to one or more Specified Denominations.

Partial Exchange of Permanent Global Notes

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal, interests and Instalment Amounts in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Terms and Conditions of the Notes (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

DELIVERY OF NOTES

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent).

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "Definitive Notes" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon).

Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

EXCHANGE DATE

"Exchange Date" means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days, after that on which the notice requiring exchange is given and on which banks are generally open for business in the city in which the specified office of the Issuing and Paying Agent (or in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) is located and in the city in which the relevant clearing system is located.

AMENDMENT TO THE TERMS AND CONDITIONS OF THE NOTES

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

PAYMENTS

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused.

Payments on any Temporary Global Note issued in compliance with TEFRA D before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 7(f)(vi) of the Terms and Conditions of the Notes will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of "business day" set out in Condition 7(h) of the Terms and Conditions of the Notes.

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose.

PRESCRIPTION

Claims against the Issuer in respect of Notes that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 of the Terms and Conditions of the Notes).

MEETINGS

The holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders holding, whether or not represented by a Global Certificate.

CANCELLATION

Cancellation of any Note represented by a Permanent Global Note that is required by the Terms and Conditions of the Notes to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Note or its presentation to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) for endorsement in the relevant schedule of such Permanent Global Note or, in the case of a Global Certificate, by reduction in the aggregate nominal amount of the Certificates in the Register, whereupon the nominal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

PURCHASE

Notes represented by a Permanent Global Note or by a Global Certificate may only be purchased by the Issuer, the Guarantor or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

ISSUER'S OPTION

Any option of early redemption of the Issuer provided for in the Terms and Conditions of the Notes of any Notes while such Notes are represented by a Permanent Global Note or by a Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Terms and Conditions of the Notes, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or Alternative Clearing System (as the case may be).

NOTEHOLDERS' OPTIONS

Any option of the Noteholders provided for in the Terms and Conditions of the Notes of any Notes while such Notes are represented by a Permanent Global Note or a Global Certificate may be exercised by the holder of the Permanent Global Note or a Global Certificate giving notice to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent, a Transfer Agent or the Registrar (as applicable) set out in the Terms and Conditions of the Notes substantially in the form of the notice available from any Paying Agent, any Transfer Agent or the Registrar (as applicable), except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and (in the case of a Permanent Global Note only) at the same time presenting the Permanent Global Note to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation accordingly in relevant schedule of such Permanent Global Note.

TRUSTEE'S POWERS

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of, or in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interest if such accountholders were the holders of the Notes represented by such Global Note or the relevant Global Certificate, as the case may be.

NOTICES

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream or Alternative Clearing System (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Terms and Conditions of the Notes or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or the relevant Global Certificate, as the case may be.

PARTLY PAID NOTES

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a Permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.

USE OF PROCEEDS

The net proceeds from the offering of each series of Notes will be used for general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets forth the Group's capitalisation and indebtedness as derived from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020. Investors should read this table in conjunction with the Group's audited consolidated financial statements, and the notes thereto included elsewhere in this Offering Circular.

	As at 31 December 2020
	(HK$)
Bonds sold under repurchase agreement	930,120,331
Loans from immediate holding company	1,484,142,300
Amount due to the immediate holding company	29,126,291
Bank and other borrowings[1]	4,361,284,272
Notes payables[1]	1,832,108,321
Short-term debt	8,636,781,515
Long-term debt	–
Total borrowings[2]	8,636,781,515
Total equity	7,478,453,157
Total capitalisation[3]	16,115,234,672

Notes:

(1) As at the date of the Offering Circular, the amount of bank borrowings and the amount of notes payables of the Group has increased due to general corporate business expansion purpose.

(2) Total borrowings include current debt and non-current debt.

(3) Total capitalisation includes total borrowings and total equity.

Save as disclosed above, there has not been any material change in the Group's capitalisation and indebtedness since 31 December 2020.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer, incorporated in the British Virgin Islands on 7 May 2018 with company number 1978530, is an indirect, wholly-owned subsidiary of the Guarantor. The Issuer was established for the sole purpose of issuing the Notes. The registered office of the Issuer is at Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola, VG1 110, British Virgin Islands.

FINANCIAL STATEMENTS

The Issuer is not required by the laws of the British Virgin Islands to carry out annual audits, appoint auditors or publish financial statements. Since the date of its incorporation, no financial statements of the Issuer have been published.

BUSINESS ACTIVITY

The Issuer was established pursuant to the objects and powers set out in its memorandum of association. So long as any Note remains outstanding, the Issuer shall not, and the Guarantor will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the issue of, and performance of its obligations under, the Issuer's U.S.$300,000,000 Floating Rate Guaranteed Notes due 16 July 2021 (the "***2021 Notes***"), the Notes, the Receipts (as defined in the Terms and Conditions of the Notes) and other debt securities. The Issuer will be managed in accordance with its memorandum and articles of association and the laws of the British Virgin Islands.

DIRECTORS AND OFFICERS

As at the date of this Offering Circular, the Issuer has no subsidiaries and the directors of the Issuer are Gao Yiwen and Chen Yin. The business address of the directors of the Issuer is at 45/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

As at the date of this Offering Circular, none of the Directors of the Issuer holds any shares or options to acquire shares of the Issuer, and there are no potential conflicts of interest between any duties of the directors of the Issuer and their private interests and/or other duties.

SHARE CAPITAL

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares with a par value of U.S.$1.00 each. The register of members of the Issuer is maintained at its registered office. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

DESCRIPTION OF THE GROUP

OVERVIEW

CMBI is a well-established capital market financial services company incorporated in Hong Kong, serving as the sole offshore integrated financial services platform of its parent company, CMB, one of the largest PRC-based commercial banks. As a key part of CMB's financial services ecosystem, CMB has provided financial support for and assistance to the Group's business development and strategic expansion. The Group's innovative and comprehensive product portfolios serve CMB's transitioning from a traditional commercial bank to an integrated "Wealth Management – Asset Management – Investment Bank" financial services platform, complementing CMB's financial services value chain. This provides an important linkage between the commercial bank business of CMB and the capital market financial services business of CMBI, creating substantial and mutually beneficial synergy between CMB and the Group. CMBI leverages on the synergy and coordination in domestic and overseas markets within the CMB Group, as well as taps into CMB's extensive distribution network, established client base and strong brand recognition to expand the Group's business and to strengthen its brand image to achieve substantial growth in terms of scale, revenue and profitability. With this advantage, the Group provides quality and integrated capital market financial services to institutional, corporate and retail customers globally, services including corporate finance, asset management, wealth management, equities and structured finance across various industries and sectors.

The Group conducts its businesses mainly through its wholly-owned subsidiaries, some of which are licensed to undertake comprehensive regulated activities in Hong Kong. The Group has obtained the following licences from the SFC: Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management). The Group also owns subsidiaries that undertake non-SFC regulated activities in Hong Kong, the PRC and Singapore.

The Group's operations are based mainly in Hong Kong and the PRC, with its headquarters located in Hong Kong, offices located in Beijing and Shanghai, and subsidiaries located in Shenzhen and Singapore.

The Group's offering of a range of financial services to clients, and such services can be divided into the following main business segments:

- *Corporate Finance:* engages in a full range of high-quality corporate finance services such as sponsorship, equity underwriting, debt underwriting and corporate finance advisory on M&A transactions and fixed income.

- *Asset Management:* includes HK asset management platform and Shenzhen private equity investment platform and provides comprehensive asset management services including secondary market investment, private equity investment and investment advisory services, and offers a range of product lines and strategies covering different asset classes and markets.

- *Wealth Management:* provides integrated wealth management services with a broad range of products and solutions including cash management, fixed income, equities, alternative investment[17] and insurance.

- *Equities:* engages in general brokerage, sales, agency trading and global market futures trades and provides margin financing to the clients, and also engages in research services on a wide variety of stocks (for both the primary and secondary markets), industries and global and China's economic and political trends.

[17] Alternative investment includes hedge funds, private equity, debt and real estate funds and derivative products.

- *Structured Finance:* seeks to provide financing solutions to clients from various industries and serves as a long-term financing partner with executives and shareholders. It provides financing solutions via offering credit products covering a broad spectrum of capital structures, including but not limited to senior loans, junior loans, mezzanine debt, credit notes and preferred equity.

For the year ended 31 December 2020, the Group's total revenue[18] was HK$4,104 million, compared to HK$2,696 million for the year ended 31 December 2019 and HK$2,158 million for the year ended 31 December 2018, respectively, representing a CAGR of 37.9 per cent. For the year ended 31 December 2020, the Group's profit before tax was HK$1,724 million, compared to HK$1,085 million for the year ended 31 December 2019 and HK$1,015 million for the year ended 31 December 2018, respectively, representing a CAGR of 30.3 per cent. As at 31 December 2020, the Group's total assets were HK$40,439 million and net assets HK$7,478 million, compared to HK$26,432 million and HK$6,231 million as at 31 December 2019 and HK$20,198 million and HK$5,616 million as at 31 December 2018, respectively, representing a CAGR of 41.5 per cent. and 15.4 per cent., respectively.

History and Milestones of the Group

The Group is a dynamic group with a rich history. It constantly reinvents itself and develops new engines of growth. In particular, in order to remain relevant to market developments, the Group underwent restructuring and reorganisation in 2015. Set out below are the history and key milestones of the Group:

1993.	Jiang Nan Finance Limited ("**Jiang Nan Finance**"), the predecessor of CMBI was founded.
1998.	Jiang Nan Finance was acquired by CMB and became a wholly-owned subsidiary of CMB.
2002.	Jiang Nan Finance was renamed as CMB International Capital Corporation Limited ("**Former CMBI**") with approval from the People's Bank of China ("***PBOC***").
2015.	In line with the positioning as CMB's sole offshore capital market financial services platform, the Group underwent restructuring and reorganising which resulted in Former CMBI being renamed as CMB International Capital Holdings Corporation Limited ("**CMBI Holdings**") and the establishment of a new subsidiary under CMBI Holdings named CMB International Capital Corporation Limited ("**CMBI**"). CMBI was designated as the business platform which holds all of the Group's subsidiaries and the main operating assets and liabilities of Former CMBI were transferred to CMBI. CMBI established its Beijing Representative Office.
2016.	As part of the restructuring and reorganising began in 2015, CMBI acquired the securities and futures business of Wing Lung Bank, Limited, which later changed its name to CMB Wing Lung Bank Limited ("**CMB Wing Lung Bank**") for a consideration of newly issued shares amounting to 16.8 per cent. of CMBI's increased share capital, resulting in CMB International Futures Limited and Wing Lung Securities Limited, which later changed its name to Yat Lung Securities Limited, becoming wholly-owned subsidiaries of CMBI, while CMBI remained 100 per cent. owned by CMB through CMBI Holdings and CMB Wing Lung Bank.

18 The Group's total revenue consists of revenue, other income, share of profit of associates and share of profit of joint ventures.

2017.	CMBI established its Shanghai Representative Office and expanded into Southeast Asia by establishing CMBI (Singapore) Pte. Limited (“**CMBISG**”).
2018.	CMBI was assigned a “Baa1” long-term issuer rating and a “Prime 2” short-term issuer rating from Moody’s; it was also assigned a “BBB+” long-term and a “A-2” short-term issuer credit ratings by S&P. CMBI issued U.S.$300 million floating rate notes due 2021. CMBI ranked as the top underwriter of IPO on the Hong Kong Stock Exchange for two consecutive years.
2021.	CMBI’s credit rating outlook was upgraded from “stable” to “positive” by S&P.

AWARDS AND RECOGNITIONS

The Group has received numerous awards and recognitions from industry associations and relevant organisations. Set forth below is a list of significant awards and recognitions the Group received:

- In 2020, “Best Chinese Securities Firm” by *the tenth China Securities Golden Bauhinia Awards*;
- In 2020, tenth place in the “Top 100 Private Equity Investment Institutions in China” by *Zero2IPO*;
- In 2020, second place “Golden Central Selection” Award for “*Best Performance in Asset Management Business*”;
- In 2020, “Outstanding Leader” by *Extraordinary Brand of Cross-Border Retail Securities Companies*;
- In 2020, “Best Performance Brokerage Business” by *Golden Central*;
- In 2020, CMBI’s corporate finance business ranked second among Chinese investment banks in Zero2IPO’s “Top 10 Lead Underwriters in Overseas Listing of Chinese Companies (VC/PE Supported)”;
- In 2020, third place in “Best for Overall Research” in both “Hong Kong (Local shares) 2020” and “China (H-shares, Red Chips & P-Chips) 2020” by *Asiamoney*:
    - Semiconductor, equipment and medical industry research team ranked the first place;
    - Other eight research teams ranked in the top three;
- In 2020, “Best Companies to Work for in Aisa 2021” by *HR Asia*;
- In 2020, “Best User Experience Award” for Yat Lung GloBal App by *Phoenix.com Hong Kong Stocks Jin Wu Award*; and
- In 2020, “Continuous Winning Equity Investment Institution” for three consecutive years by China Equity Investment Golden Bull Award.

COMPETITIVE STRENGTHS

The key competitive strengths of the Group are as follows:

Robust support from CMB creating strategic synergy and competitive strength

CMB is one of the largest commercial banks in China. As the sole offshore capital market financial services platform of the CMB Group, the Group enjoys strategically important positioning in the CMB Group. The Group's business provides a solid foundation for CMB's strategic plan to integrate its commercial banking and investment banking arms and its onshore and offshore services platforms to create a "Wealth Management – Asset Management – Investment Bank" cross regions integrated financial services ecosystem. For the years ended 31 December 2018, 2019 and 2020, the Group's net income was HK$775 million, HK$906 million and HK$1,427 million, accounting for 0.81 per cent., 0.85 per cent. and 1.29 per cent. of the net income of the CMB Group. The Group's business is an extension of and supplement to CMB's business. Because of the Group's strategic position in the CMB Group, the Group received robust support from CMB in the following ways:

- Client referral and database sharing: CMB has an expansive and high-quality client base with large amount of client data that have been accumulated through decades of operation of commercial banking business. The Group can leverage on CMB's client base, and CMB actively refer clients to the Group should they identify clients' needs that can be satisfied by the Group's services. CMB's database also enables the Group to perform comprehensive ratings and credit assessment of the Group's clients, which are important references for project applications and approvals. Through CMB client referrals and database sharing, the Group quickly built a large client base and extensive and diversified distribution network, which are continuing to expand. Relatively low cost in client acquisition and efficient and extensive distribution network enable the Group to provide innovative, comprehensive and high-quality financial services to compete successfully on the Greater China capital markets and beyond.

- Sophisticated supporting system: CMB's advanced fintech capability also helps the Group to promote the integration of technology with its business, further strengthening the Group's product development and customer servicing capabilities. Most of the directors of CMBI are appointed by CMB and CMBI takes guidance from CMB in formulating its own development strategies and operating plans.

- Capital support: CMB Group's capital support to the Group is substantial. Over the years, various CMBI entities have received substantial capital injections, asset injections, intra-group lending, credit facilities and credit lines from the CMB Group. With the capital support from one of the PRC's largest commercial banks, the Group has the means to act on its strategic plans and bring its vision into realisation.

Through years of development, the Group has grown to be a leading PRC-rooted provider of offshore capital market financial services, and the Group's innovative and comprehensive product portfolios serve CMB's transitioning from a traditional commercial bank to an integrated "Wealth Management – Asset Management – Investment Bank" financial services platform. The Group seeks and pursues growth opportunities across all business segments by providing differentiated, bespoke and innovative products and services. In particular, the Group is committed to exploring new opportunities and projects that may fall outside of the scope of CMB Group's traditional commercial banking business, thus complementing the CMB Group's existing business and creating synergy that enables the Group to provide the clients with one-stop offshore financial services. This provides an important linkage between the commercial bank business of CMB and the capital market financial services business of CMBI, creating substantial and mutually beneficial synergy between CMB and the Group in the following manners:

- CMBI offers capital market financing solutions and products to CMB's onshore corporate clients. The funds raised from offshore equity or bond offerings underwritten by CMBI contribute to deposit growth and transactional banking business at CMB's local branches;

- Funds managed by CMBI's asset management arm are offered to CMB's onshore private banking clients and some companies that CMBI's private equity arm had invested in have increased deposits at CMB's local branches or obtained credit lines from CMB's headquarters;

- CMBI provides equity trading services to and serves as the central trading desk to execute trading orders from CMB's Hong Kong branch and CMB Wing Lung Bank; and

- CMBI also frequently develops new products to meet onshore institutional and corporate clients' need to invest in the offshore market.

The Group's strength in capital market services also improves CMB revenue mix. One of CMB's goal is to gradually increase the proportion of its non-interest income, which is total revenue other than interest income from financing services and other interest income. As the Group's business scale grows, its contribution to CMB's revenue mix improves as most of the Group's income is non-interest income. For the years ended 31 December 2018, 2019 and 2020, the Group's non-interest income was HK$1,854 million, HK$2,272 million and HK$3,441 million, respectively, accounting for 1.66 per cent, 1.92 per cent. and 2.73 per cent. of the non-interest income of the CMB Group, respectively. Because of its strategic positioning by and contribution to CMB, the Group, as an indispensable core subsidiary, has won and will continue to enjoy strong support from CMB.

"One CMBI" strategy offering clients best-in-class full-life cycle services

The Group has implemented the "One CMBI" strategy across its business segments and units to create a full-life cycle, one-stop integrated platform providing comprehensive and diversified capital market financial services for the clients. Based in Hong Kong and rooted in the PRC, the Group has established key business segments of corporate finance, asset management, wealth management, equities and structured finance which serve various types of clients through different stages of developments in the following manner:

- Early stage engagement. The Group's private equity arm under the asset management business reaches out to high growth-potential companies at their early development stage and provides much needed funding and strategic guidance to aid and support their development.

- High growth stage. The Group's structure finance business constantly innovates and develops new products to meet the needs of onshore institutional and corporate clients' need to make offshore investment and provide bespoke structured finance products that suit the needs of high growth companies. The Group offers credit products covering a broad spectrum of capital structures, including but not limited to senior loans, junior loans, mezzanine debt, credit notes and preferred equity.

- Stable growth stage. The Group's corporate finance business engages companies that have entered the stage of relative stable growth and provides them with various financing solutions to achieve the clients' financial and strategic goals. The Group provides underwriting and sponsoring services in offering of debt and equities and financial advisory services in M&A transactions.

- Mature stage. At this stage, the clients are mostly listed companies or shareholders of listed companies. The Group's equities and other businesses provide various services including secondary market related services, listed equity and debt securities trading services, market value management and pledged loans. The Group's clients also benefit from its award-winning research services.

- Wealth accumulation stage. At this stage, the Group provides assets allocation and wealth management services for high-net-worth individuals and corporations.

This full-life cycle coverage creates enormous synergy and cross-selling opportunities within the Group, which has driven the Group's fast growth and rising visibility in the market. The Group is able to use its current high-quality portfolio of asset management products to expand the customer base of its wealth management business and provide diversified products and personalised financial solutions to its high-net-worth customers, thereby increasing the breadth and depth of its sales. The Group has also enjoyed synergy amongst its corporate finance, asset management, wealth management and structured finance business such as collaboration on IPO projects in which the Group's private equity arm had invested in, cross-selling of asset management products and structured financing products and providing comprehensive solutions for pre-IPO corporate clients and high net-worth individuals. Clients of the Group's structured finance business are potential clients for other business segments, for instance, where such clients are looking to launch an IPO. Such synergy and cross-selling capabilities enable the Group to provide a greater variety of products and services, improving profitability and customer loyalty.

Because of the Group's full-life cycle coverage, the Group has enjoyed quality growth over the years. The underwriting amount of the Group in the Hong Kong IPO market continues to grow; the expansion the Group's AUM over the years demonstrates the success of the Group's asset management business; the Group's wealth management business also witnesses continuous growth in the aggregate value of assets in client accounts; the Group's equities business has been increasing trading volume over the years; and the Group's structured finance business leads cutting-edge and high-profile transactions. The Group ranked the third, first, first, third and second among all financial institutions in terms of underwriting commitment amount in the Hong Kong IPO market occupying market shares of 5.6 per cent., 6.3 per cent., 5.9 per cent., 5.6 per cent. and 7.2 per cent. in 2016, 2017, 2018, 2019 and 2020, respectively, according to statistics released by Bloomberg and Dealogic. In addition, the numerous awards and recognitions that the Group has received are also testaments to its leading position in the Hong Kong corporate finance industry. The Group's Hong Kong asset management business has experienced accelerated growth in recent years. Its AUM reached HK$23.5 billion as at 31 December 2020, representing a growth of 32.8 per cent. as compared to 31 December 2019. It was also named the "Best Alternative Manager" for three consecutive years by HKCAMA-Bloomberg Offshore China Fund Awards. As at 31 December 2020, the total investment of the Group's onshore private equity business' reached RMB35.6 billion. The core aggregate value of assets in the Group's wealth management client accounts reached HK$72.1 billion as at 31 December 2020, representing a growth of 28.5 per cent. as compared to 31 December 2019. The Group's stock trading volume reached HK$598.4 billion for the year ended 31 December 2020, representing a growth of 90.8 per cent. as compared to the year ended 31 December 2019. Finally, the Group's structured finance business led several cutting-edge transactions in 2020, including but not limited to M&A loans and mezzanine note transaction.

Regional leadership with focus on China growth opportunities

As a leading PRC-based provider of offshore capital market financial services, the Group is uniquely positioned to take advantage of the growth and expansion of quality PRC-based companies and assist them in accessing the international capital markets. For example, the Group has underwritten 137 Hong Kong IPOs from 2016 to 2020 and its market share in Hong Kong IPO market continue to rise. For the years ended 31 December 2018, 2019 and 2020, funds raised in Hong Kong IPOs that the Group underwrote were approximately HK$285 billion, HK$313 billion and HK$400 million, respectively, and the Group's market share were 5.9 per cent., 5.6 per cent. and 7.2 per cent, respectively.

The Group has also developed high-calibre investment team and expertise that enable it to identify, evaluate, assess, execute and follow through with high-growth potential private equity projects in PRC. The Group is strategically focused on the new economy of China, which include the healthcare, consumer goods, education and TMT industries, and this strategy has proven successful. For example, the Group's private equity investment team has made investment in Contemporary Amperex Technology Co. Limited, a global leader in lithium-ion battery development and manufacturing. Because of its great track record in private equity investment in PRC companies, the Group's onshore private equity funds paid-in capital has increased from RMB36.2 billion in 2018 to RMB37.1 billion in 2019 and further to RMB39.5 billion in 2020, the paid-in capital of real estate fund has increased from RMB1.5 billion in 2018, to RMB5.5 billion in 2019 and further to RMB14.5 billion in 2020, and the AUM of offshore asset management business has seen an increase from approximately HK$14.4 billion in 2018 to HK$17.7 billion in 2019 and HK$23.5 billion in 2020. The Group also attracted high-profile investors, such as the National Social Security Funds of PRC, a sovereign fund of a Middle East country, PRC government funds, asset management companies, insurance companies, large state-owned entities, large listed companies and conglomerates and private banking clients.

Strong financing capabilities and effective and prudent integrated risk management

The Group is able to obtain funding at competitive rates to support its business development, and the CMB's capital injections and intragroup lending in favour of the Group also lower the Group's financing costs. As at 31 December 2020, the line of credit granted by third party banks reach HK$11.4 billion with HK$7.5 billion unused. In terms of intragroup lending, credit extended to the Group by CMB Hong Kong branch has increased from HK$2 billion to HK$3 billion in 2020, the Group has also entered into a facility agreement with CMB Wing Lung Bank for an amount of HK$1.28 billion in 2018 which has since been renewed, and the Group received an internal loan of HK$1.5 billion from CMBI Holding.

The Group has developed and will continue to develop a prudent risk management system which helps to effectively control and minimise the market risks to which the Group is exposed (see "*Description of the Group – Risk Management*"). The Group has been optimising its risk management system in terms of stringency, consistency and comprehensiveness. In terms of stringency, the Group has adopted a quantitative and model-based approach to risk warning and control by continuously optimising and improving risk limits and management indicators, has focused on the collection and valuation management of post-investment and loan information, has strengthened stress testing mechanisms, has carried out risk disposal based on the implementation of monitoring indicators, and has made reasonable recommendations for risk resource optimisation and allocation. In terms of consistency, the Group has refined the end-to-end risk control process that takes into account the depth and breadth of various businesses, has enhanced risk awareness in each process stage, has strengthened the whole process risk management model, and has enhanced the risk transmission mechanism to ensure that all aspects of risk management are effective and efficient. In terms of comprehensiveness, the Group strives to achieve risk management for all types of customers, businesses and assets of the Group, effectively identifying the main risks of each business line, each subsidiary and each department, and comprehensively integrating, analysing and evaluating all types of risk management information of the Group to provide the basis for major decisions and daily operation of the Group.

The Group also has a prudent corporate governance structure where risk management responsibilities are clearly assigned to the senior management and its various committees. The senior management of the Group is responsible for formulating the overall risk management framework and strategies and determining risk appetite, risk limits and risk tolerance. The Group has comprehensive committees such as credit committee, anti-money laundering and operations committee, investment committee, margin finance committee, capital commitment committee and risk management department which support the Group's business and operation.

Staff and management team with extensive knowledge and experience

The Group has a professional team dedicated to providing clients with the best investment and financial services, with extensive project-implementation and industry experience from top-tier investment banks or core regulatory affiliates. As at 31 December 2020, the Group had 545 employees in total, of which 97.06 per cent. had a bachelor's degree or above, and 60.18 per cent. had a master's degree or above. The Board of Directors and senior management of CMBI have extensive experience in the financial services industry (see "*Directors, Supervisors and Management*"). Among CMBI's senior management, both Mr. Tian Huiyu, the chairman of CMBI and the president of CMB, and Mr. Zhao Ju, the Chief Executive Officer of CMBI and the Chief Investment Officer of CMB, have more than 25 years of related experience. The expertise brought by the staff and management team enables the Group to adjust its business strategies on a timely basis based on market trends and client needs and enables the Group to maintain its competitive advantages, laying a solid foundation for the Group's long-term sustainable growth.

BUSINESS STRATEGIES

In line with its core values, the Group strives to be a market-leading innovator by providing an integrated capital market financial services platform that complements the well-established and successful commercial banking business of the CMB Group. The Group has a strategic positioning within the CMB Group and its strategy is not only to strengthen and develop its own business but also align its goals with and serve the wider goals of the CMB Group.

Achieve balanced growth under an asset-light business model

Leveraging the Group's competitive advantage in integration of investment banking and asset management, the Group will continue to carry out structural adjustments and optimisation of its operations in order to grow all business segments under an asset-light business model. The Group seeks to create a seamless experience for the clients in onshore and offshore business and achieve balanced expansion. This strategy entails that the Group (i) focuses on recurring business activities that boost non-interest income (i.e. ensure that a greater proportion of growth in revenue comes from the increase in fee income, which includes underwriting and placing fee income, management fee income, advisory, consultancy and other fee income, and commission income), (ii) focuses on asset-light business (e.g. lower capital employed in structured finance deals when acting as the arranger) and limit risk-weighted assets growth and (iii) maintains low leverage compared with the industry average of its competitors. The Group will not only focus on expansion of the scale of business, but also on high-quality business growth with lower leverage ratio, which will help the Group remain resilient in all economic cycles and provide a solid foundation for long-term future growth.

In particular, the Group plans to grow the wealth management segment to accelerate the growth of the Group under an asset-light model. The Group will expand and diversify its offerings to create value for high-net-worth clients by leveraging synergies with other segments. The Group will provide innovative equity trading solutions and explore 1) insurance products; 2) alternative investment opportunities such as hedge funds, private equity funds, debt and real estate funds and derivative products; 3) money market funds, large-denomination certificates of deposit and tailored solution; and 4) single bonds, bond funds, bond-linked structured notes and private debt products to enrich its wealth management product offerings. The Group will target four groups of key potential clients: 1) new economy enterprises founders and senior executives; 2) traditional economy enterprises founders and senior executives; 3) family offices and wealth management and private equity funds; and 4) Hong Kong local wealthy elites to expand its clientele under its wealth management business.

The Group's success in transformation to asset-light growth is evidenced by a high proportion of non-interest income in total revenue. The Group's non-interest income accounted for 85.9 per cent., 84.3 per cent. and 83.8 per cent. of the Group's total revenue for the years ended 31 December 2018, 2019 and 2020, respectively. In line with its asset-light and capital-light business model, the Group maintains a reasonable and prudent leverage, with an asset to equity ratio[19] of 2.85, 3.55 and 3.89 as at 31 December 2018, 2019 and 2020, respectively. As a majority of the revenue derived from the Group's asset management business, corporate finance business, wealth management business, equities business is non-interest income, with the growth of these business segments, the proportion of the Group's revenue derived from non-interest income is expected to remain in a rather high level, driving quality growth under an asset-light model.

Focus on improving customers experience and serve the real economy

As a one-stop integrated platform providing comprehensive and diversified capital market financial services, the Group will continue to enhance its service platform to provide comprehensive, fully-covered services throughout every stage in a corporation's life cycle. The Group will leverage its support from the CMB Group in clients acquisition and obtain deeper understanding of the client's needs to better tailor the Group's offerings to create value for the clients. The Group is also committed to broadening customer acquisition channels outside of the CMB Group and expanding its own customer network with product innovation and professional research capabilities. With the help of fintech, the Group will further optimise the customer service experience and build a differentiated competitive advantage and expand its customer network.

Capturing the growth opportunities in China market, the Group plans to enhance its investor service platforms, in particular related to equities business. For example, the Group will expand coverage of institutional clients, such as global long-term funds, sovereign funds, hedge funds, QDII, insurance funds, family fortunes and entrepreneurial clients and provide the clients with enhanced research products. Leveraging the Group's technology capabilities, the Group plans to roll out more online trading and fintech solutions to provide better services and trading experience for the clients.

[19] Asset to equity ratio is calculated by total asset less cash held on behalf of the customers and then divided by total equity.

With the deepening of the reform in China's financial system, the positioning of financial services sector is to serve the real economy of China. The Group is committed to becoming an important drive behind the development of China's real economy. Capitalising its unique advantage in the Greater China capital market and in-depth investment research analysis, the Group will grasp the development cycle of key industries and provide much-needed investment and financing services to high-growth potential companies, allocating financial resources to support the growth of the clients and China's real economy.

Further, in response to CMB's international strategic layout, the Group is dedicated to serving the customer groups that are key to this strategy by providing rich capital market services and products to create more value for the clients, and match their overseas financial product allocation needs. The Group's aim is to become the regional leading integrated capital market financial services provider in terms of investor coverage, product coverage and market coverage with a strong PRC focus. Given the momentum of the "One Belt, One Road" Initiative and the upcoming economic cycle driven by tech fusion, healthcare and consumer industries, the Group's asset management, in particular, its private equity arm, will continue to identify investment opportunities to enrich and enhance the Group's investment portfolios.

In line with CMB Group's international strategy, the Group expanded into south-east Asia. CMBISG was established in 2017 and was granted a licence by the Monetary Authority of Singapore in May 2018 to engage in fund management and securities services business. The Group also seeks to achieve this aim in the following ways:

- strive to serve onshore clients who are going international in pursuit of investment diversification and/or optimal allocation of assets;
- focus on entering into or expanding operations in countries and regions along the Belt and Road Initiative; and
- promote CMB's internationalisation strategies and leverage on the Group's access to the CMB Group global network.

This is part of the Group's overarching mission of achieving the synergy between the Group's capital market financial services and CMB's commercial banking business, and the coordination and integration of offshore and onshore business.

Enhance the Group's product innovation ability to improve its product offering

The Group has developed rapidly in recent years and strives to maintain and enhance its leading position through innovation to meet increasing and diversifying customer demands. By building its own product system around the integration of investment banking and asset management, the Group will provide differentiated products to build a high competitive barrier and win strategic clients, such as institutional clients and corporate clients. The Group will strengthen distribution channels and broaden product offerings under an enhanced cross-border service model to further build the Group's one-stop financial services platform and to drive the Group's sustainable growth.

Based on its in-depth understanding of PRC-based companies and PRC investors, the Group will continuously implement the following measures to improve its product offerings:

- build products to adapt to the needs of different clients and win more market share by leveraging the Group's superior investment research capabilities and through flexible structural product design;
- enhance the corporate finance business product lines and achieve the balanced development of the various products;
- enhance the Group's ability to accurately measure risks and returns and to better allocate resources through price discovery;
- build a flexible, professional and efficient platform for trading products by improving trade execution capabilities, providing multiple trading formats, increasing trading markets and increasing the proportion of electronic trading;

- provide comprehensive financing solutions for clients in diversified ways such as private equity investment, structured financing and other financing options;

- conduct fixed-income and the debt capital market business with an integrated approach by seamlessly providing primary and secondary market products and services to issuer and investors clients;

- produce comprehensive credit research publications with in-depth credit views and strategies on macro and credit markets to support the development of the Group's corporate finance business;

- establish a global asset allocation management platform with a broad range of product offering and innovative customised products available for customers with different investment needs, expectations and risk appetites;

- become the offshore wealth management product platform for CMB's private banking business and continue to provide high-end financial services;

- develop the trading platform in its equities business and increase the variety of transaction types to facilitate client needs;

- strengthen innovation in transaction structure design in its structured finance business, strengthen risk-based pricing capabilities and retain competitiveness; and

- enhance the features and widening the range of services provided on its mobile application.

Capture historical growth opportunities by leveraging the support of CMB

As the sole offshore capital market financial services platform of the CMB Group, the Group will continue to provide a full range of financial service products to CMB's commercial bank customers outside the realm of traditional commercial banking services. The Group will also make full use of CMB's customer network to seize the business opportunities arising from the interconnection between the PRC, Hong Kong and Macau and explore the overseas financial service needs of customers.

The Outline of the Development Plan for the Greater Bay Area of Guangdong, Hong Kong and Macau laid a foundation for steady expansion of cross-region investment, trading of funds, insurance and other financial products in the Greater Bay Area. The interconnection of financial markets in the Guangdong-Hong Kong-Macao Greater Bay Area will help Hong Kong and Macao capital to enter the PRC and vice versa, further deepening and broadening the opening up of the PRC capital market to the outside world, which will promote the development of high-end and high value-added services in the finance industry. The Group is well positioned to capture the development opportunities to grow its cross-border business.

In response to the national "One Belt, One Road" Initiative and in line with CMB's "All the Way Finance" (一路金融) corporate services program, the Group will provide services to clients participating in national "One Belt, One Road" strategic projects. The Group will also respond quickly to the needs of its clients in overseas investment and financing, M&As and restructuring, and actively and steadily promote its overseas layout.

Enhance the Group's risk management system, internal control and IT capabilities

The Group plans to continue to enhance the transparency and management over investment, financial condition and business operations. The Group is committed to strict risk control and continual improvement of its risk bearing abilities for the long-term stable development of business. The Group also plans to further strengthen its internal control system, further enhance the Chinese walls between different business lines, and improve its internal control compliance and audit capabilities.

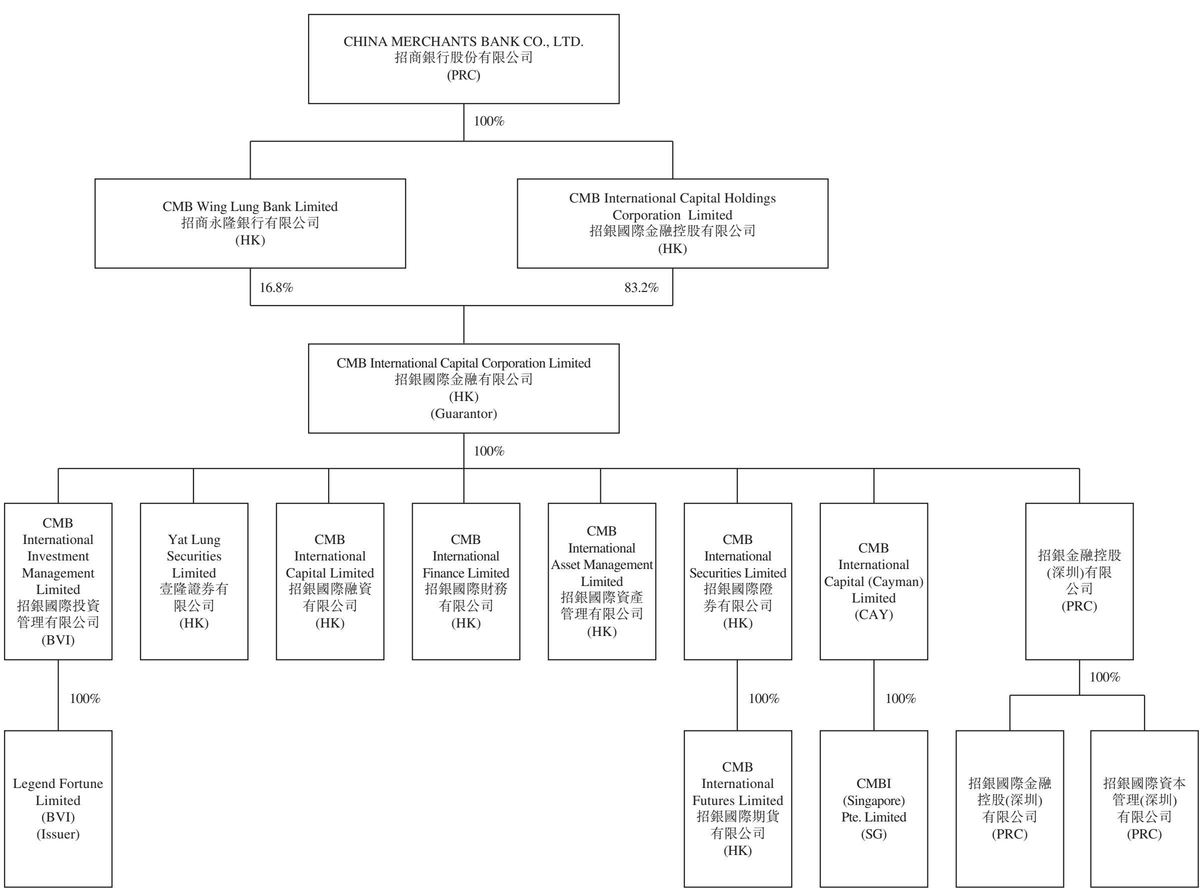
The development plan for the Group's risk management infrastructure will be forward-looking, innovative and efficient to achieve diversification, automation and intelligence while taking into account the basic requirements of compliance, security and stability. According to the institutional framework of comprehensive risk management, the Group will integrate the measurement models and tools for various types of risks at the group level, build business support systems, data integration and sharing systems, and risk management systems that match the requirements of risk management, and gradually achieve automatic monitoring, centralised control, and prediction and early warning.

Based on the principles of comprehensiveness and reasonableness, the Group will comprehensively enhance the role of business departments as the first line of defence for internal control compliance through establishment of rules and regulations. With the basic principle of checks and balances, the Group will strengthen the development of the second line of defence, which consists of risk management department, legal and compliance departments to lead and supervise the implementation of various internal control and compliance policies. With independence as the principle, internal audit department effectively play the supervision function of the third line of defence in comprehensive monitoring, inspecting and giving feedback to each business line. The Group strives to promptly identify and rectify internal control deficiencies and continuously improve its internal control system through risk management and operational risk control in order to ensure the healthy and stable growth of its business.

In addition, the Group plans to establish an information sharing platform that collectively manages client data, business information and risk management knowledge so as to promote the integration of its business development and risk management. The Group intends to upgrade its middle and back office infrastructure to increase the security and efficiency of its IT systems.

SHAREHOLDING STRUCTURE OF THE GROUP

The following chart sets out the shareholding structure of the Group and its key subsidiaries as at the date of this Offering Circular:



KEY SUBSIDIARIES OF THE GUARANTOR

The Group has adopted a holding structure and carries out its business activities through wholly-owned subsidiaries. An overview of each of the Guarantor's key subsidiaries as at the date of this Offering Circular is set out below.

Name	Place of incorporation and business	Paid up issued/ registered capital	Proportion ownership and voting power held by the Guarantor	Principal activities
CMB International Capital Limited	Hong Kong	HK$30,000,000	100.0%	Sponsorship, underwriting and corporate finance advisory
CMB International Asset Management Limited	Hong Kong	HK$56,000,000	100.0%	Fund management and investment advisory
CMB International Securities Limited	Hong Kong	HK$1,425,147,631.08	100.0%	Securities brokerage
Yat Lung Securities Limited	Hong Kong	HK$7,000,000	100.0%	Securities brokerage
CMB International Futures Limited	Hong Kong	HK$8,000,000	100.0%	Futures and options brokerage
CMB International Finance Limited	Hong Kong	HK$5,000,000	100.0%	Money lending
CMB Capital Holdings (Shenzhen) Limited	PRC	HK$78,000,000	100.0%	Investment holding
CMB International Capital Holdings (Shenzhen) Limited	PRC	RMB100,000,000	100.0%	Investment holding
CMB International Capital Management (Shenzhen) Limited	PRC	RMB100,000,000	100.0%	Investment management and investment advisory
CMB International Investment Management Limited	British Virgin Island	U.S.$1	100.0%	Investment holding
CMBI (Singapore) Pte Limited	Singapore	SGD5,000,000	100.0%	Fund management and securities services

BUSINESS ACTIVITIES

The Group generates its net operating income primarily through five principal business segments: (1) corporate finance, (2) asset management, (3) wealth management, (4) equities and (5) structured finance. The Group, through its various subsidiaries, is licensed to undertake comprehensive regulated activities in Hong Kong and has obtained and continues to maintain the following licences from the SFC: Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management).

The table below sets out the Group's total revenue[20] by business segment for the years ended 31 December 2018, 2019 and 2020:

	For the year ended 31 December					
	2018		2019		2020	
	Amount	*Percentage*	*Amount*	*Percentage*	*Amount*	*Percentage*
	(HK$ million)	*(%)*	*(HK$ million)*	*(%)*	*(HK$ million)*	*(%)*
Corporate finance.	451	20.9	472	17.5	775	18.9
Asset management	966	44.8	1,217	45.1	1,963	47.8
Wealth management . . .	235	10.9	328	12.2	453	11.0
Equities	102	4.7	114	4.2	414	10.1
Structured finance	348	16.1	506	18.8	453	11.1
Others	56	2.6	60	2.2	46	1.1
Total revenue.	2,158	100.0	2,696	100.0	4,104	100.0

CORPORATE FINANCE

The Group operates its corporate finance business through its wholly-owned subsidiary, CMBI Capital and is committed to providing its clients with a full range of high-quality corporate finance services including sponsorship, equity underwriting, debt underwriting and corporate finance advisory on M&A transactions and fixed income. Its clients operate across a variety of industries such as financial institutions groups ("**FIG**"), energy, consumer goods, healthcare, media and telecommunications ("**TMT**"), real estate and education.

Over the years, the Group has rapidly expanded its market share and has gained a leading position in the corporate finance industry in Hong Kong. For the years ended 31 December 2018, 2019 and 2020, the Group's corporate finance business generated HK$451 million, HK$472 million and HK$775 million in total revenue, accounting for 20.9 per cent., 17.5 per cent. and 18.9 per cent. of the Group's total revenue, respectively.

Sponsorship

The Group is committed to developing the sponsorship business and it primarily focuses on quality PRC companies who qualify for and intend to obtain listing on the main board of HKSE, and who could serve in an anticipated long-term business relationship with the Group's various business segments. Over the years, the Group has grown to be one of the most active players in the Hong Kong IPO market, successfully sponsoring the listing of Haidilao International Holding Ltd, Jiumaojiu International Holdings Ltd., Shanghai Henlius Biotech, Inc., Fulu Holdings Limited, Huazhu Group Limited, Baozun Inc., Tongcheng-Elong Holdings Limited., JINSHANG Bank Co., Ltd., Weihai City Commercial Bank, Excellence Commercial Property & Facilities Management Group Limited, Global Data Solutions Limited, Global X MSCI Colombia ETF and Shenzhen Hepalink Pharmaceutical Group Co Ltd etc. and realised continued growth in sponsorship fees. The Group's solid performance in its sponsorship business has strengthened the Group's position as one of the most important PRC-based investment banks in the Hong Kong IPO market.

[20] Total revenue is the sum of revenue, other revenue, share of profits of associates, and share of results of joint ventures.

Equity underwriting

Equity underwriting is one of the core strengths of the Group's corporate finance business. The Group participates in IPOs and follow-on equity offerings to assist its clients' equity financing activities. According to statistics released by Bloomberg and Dealogic, the Group's market shares in the Hong Kong IPO market had grown rapidly in the past three years. In 2020, the Group ranked the second in terms of market share in Hong Kong IPO underwriting and the fifth in terms of market share in equity underwriting, surpassing all PRC commercial-bank-affiliated investment banks. In 2020, the Group completed 57 equity underwriting transactions, increased by 54 per cent. comparing to 2019 and participated in all top ten Hong Kong IPO projects.

Debt underwriting

The Group conducts its fixed income and debt underwriting businesses on an integrated basis and provides clients with customised multi-currency public and private debt financing solutions and exclusive fixed-income products in the international primary and secondary capital markets. Debt underwriting business includes a full spectrum of financing services ranging from corporate bonds, medium-term notes, corporate hybrids, convertible bonds to other structured instruments. Leveraging on its extensive business experiences and network, the Group's clientele includes central enterprises, state-owned enterprises, and private companies, covering financial institutions, non-bank financial institutions, real estate, energy, metals and mining, retail, telecom and technology, transportation, and construction industries and local government financing vehicles.

The Group's debt underwriting business focuses on leading greater China and international bond transactions. With its solid execution and rating advisory service, coupled with its broad distribution network in Hong Kong and Singapore, it is often selected to act as a global coordinator to provide innovative solutions and strategies for its clients. The Group has gradually enlarged its market shares in the debt capital markets ("**DCM**") since 2018 with the number of DCM transactions increased by 149 per cent. from 41 transactions in 2018 to 102 transactions in 2019. In 2020, the Group gets involved into 130 transactions, increased by 27 per cent. comparing to 2019. As at 31 December 2018, 2019 and 2020, there were 24, 45 and 73 transactions where the Group acted as a joint global coordinator, respectively. The Group will continue to strive to provide the best-in-class debt underwriting services to clients from China and from the rest of the Asia region.

Financial advisory services on M&A transactions

The Group also provides financial advisory services on various types of M&A transactions, including but not limited to cross-border transactions for Chinese buyers, privatisations of Hong Kong listed companies, buy-out transactions, establishment of joint ventures, as well as sale of majority or minority stakes in target companies.

Over the past few years, financial advisory services became an important part of the Group's corporate finance business, and the Group completed several transactions including privatisation of Xinghua Port Holdings Ltd. by Zhuhai Port (Hong Kong) Co., Limited, privatisation of Welling Holding Limited by MIDEA International Corporation Company Limited, strategic investment in Pilbara Minerals Limited by Contemporary Amperex Technology Co., Limited, as well as acquisition of Coal & Allied Industries Limited by Yanzhou Coal Mining Company Limited.

Fixed income

The Group's fixed income business provides clients in Asia, as well as clients from outside of the region, access to different fixed income products and services. These include, among others, primary new issue offerings, secondary market making[21] and credit trading, credit strategy and research (e.g., in-depth credit views and strategies on macro and credit markets) and structured products and solutions. From the years ended 31 December 2018 to 2020, the Group's trading volume increased from 100 per cent. to 343 per cent. and further to 814 per cent. respectively, taking the trading volume of 2018 as the base scenario.

The Group covers a wide range of investors including commercial banks, asset managers, hedge funds, insurance companies and private banks. The fixed income business has a core focus on Greater China and Asian credits, providing market liquidity, advisory services and solutions to the Group's clients. The reach of the Group's China network provides an effective channel for investors to gain access and credit exposures to China fixed income markets and China-related issuers, onshore and offshore China.

ASSET MANAGEMENT

The Group operates its asset management business mainly through its wholly-owned subsidiary incorporated in Hong Kong, CMBIAM, and its wholly-owned subsidiary incorporated in the PRC, CMBI Capital (Shenzhen). Together, CMBIAM and CMBI Capital (Shenzhen) operate as CMB's unique full-scale asset management platform. The Group provides comprehensive asset management services including secondary market investment, private equity investment and investment advisory services, and offers a range of product lines and strategies covering different asset classes and markets. For the years ended 31 December 2018, 2019 and 2020, the Group's asset management business generated HK$966 million, HK$1,217 million and HK$1,963 million in revenue, accounting for 44.8 per cent., 45.1 per cent. and 47.8 per cent. of the Group's total revenue, respectively.

Hong Kong

As at 31 December 2020, the Group's Hong Kong asset management platform was managing 20 funds and approximately 66 discretionary accounts with a full spectrum of strategies across global asset classes such as equities, fixed income, quantitative investment, fund of funds and private equity. CMBIAM enjoys a unique advantage in strong alliance with CMB Group.

Focused on equity funds, fixed-income funds and alternative investments funds, the Group's Hong Kong asset management platform has access to all of CMB's overseas distribution channels, including but not limited to the Group's wealth management business in Hong Kong and Singapore, CMB Wing Lung Bank and other licensed branches of CMB worldwide. In addition, given the momentum of the Belt and Road Initiative and the upcoming economic cycle driven by tech fusion, CMBI Neo-Momentum Fund I managed by CMBIAM is the first step as well as a foundation of the strategic collaboration between CMB Group and the famous sovereign fund in the Middle East. Products managed by CMBIAM are distributed through these channels after conducting appropriate product due diligence procedures and suitability assessments of clients, and in compliance with all relevant legal requirements on the sale of such products. Apart from the distribution channels within the CMB Group, CMBIAM also engages its own high-net-worth professional investors, family trusts and institutional investors through direct sales and third-party distribution channels.

Over the years, the Group's Hong Kong asset management platform has seen strong AUM growth and improved returns. As at 31 December 2018, 2019 and 2020, the Group's asset management platform had an AUM of HK$14.4 billion, HK$17.7 billion and HK$23.5 billion, respectively.

---

21 The Group's secondary market business consists of flow credit trade providing clients with market liquidity and market-making services for the issuer clients.

PRC

The Group's private equity investment platform is operated by CMBI Capital (Shenzhen) and is one of the most active investment institutions in the private equity industry in the PRC. Ranked tenth in the China Equity top 100 in 2020 by Zero2IPO, it is one of the fastest growing business lines of the Group with a high-quality portfolio that produces sound investment returns.

The Group manages 45 private equity funds with a total committed capital of approximately RMB77.0 billion, total investment of RMB35.6 billion and total paid-in capital of RMB39.5 billion as at 31 December 2020, comparing to a total investment of RMB29.0 billion and total paid in capital of RMB37.1 billion respectively as at 31 December 2019. The Group is heavily involved at every stage of the fund's life cycle including fundraising, investment and management. The Group has built a diversified portfolio with emphasis on the leading enterprises in medical and biology, manufacturing and agricultural, new energy and logistics, and TMT industries or the respective sub-industries.

Demonstrating the Group's investment capabilities with high market valuation of funds managed by the Group, the Group's outstanding investment ability has gained market recognition. The Group has successfully exited certain investments through public listing of the targets on the PRC A-share and overseas stock markets and sales of investment to other strategic and financial investors.

Many high-profile investors have participated in and continue to support CMBI's private equity investment platform as limited partners. In addition to CMB, the limited partners of the funds include the National Social Security Fund, government-managed funds, state-owned enterprises directly under the central government, large state-owned enterprises, ultra-high-net-worth clients and other private funds.

WEALTH MANAGEMENT

The Group operates its wealth management business mainly through its wholly-owned, Hong Kong-incorporated subsidiary, CMB International Securities Limited ("**CMBI Securities**") and wholly-owned, Singapore-incorporated subsidiary, CMBI (Singapore) Pte Limited ("**CMBI SG**").

For the years ended 31 December 2018, 2019 and 2020, the Group's wealth management business generated HK$235 million, HK$328 million and HK$453 million in revenue, accounting for 10.9 per cent., 12.2 per cent. and 11.0 per cent. of the Group's total revenue, respectively.

The wealth management business serves as the strategic hub and bridgehead for CMB's overseas private wealth management business. By leveraging the synergy with the Group's other business lines, the offerings of the Group's wealth management business includes investment advisory services and asset allocation solutions to high-net-worth individuals, families, family offices and corporations.

Within the Group, the wealth management business plays the vital role as the first contact point for all new customers and an important distribution centre for all the Group's products. Over the years, the wealth management business has built a comprehensive product portfolio and a team of experienced relationship managers and product experts. The Group's wealth management platform provides a full range of investment solutions ranging from equities, fixed income, alternative investments and insurance, as well as customised solutions to fulfil clients' investment goals.

Since inception, the Group's wealth management business has consistently achieved organic growth in terms of aggregate value of assets in client accounts and total revenue. As at 31 December 2018, 2019 and 2020, the core aggregate value of assets in client accounts under wealth management business reached HK$41.8 billion, HK$56.1 billion and HK$72.1 billion respectively, realising a 34.2 per cent. year-on-year growth from 2018 to 2019 and 28.5 per cent. year-on-year growth from 2019 to 2020. The number of clients under wealth management business has also seen substantial growth over the past three years, which reached 3,883, 4,997 and 6,663 as at 31 December 2018, 2019 and 2020 respectively, despite the headwinds of Covid-19 pandemic and volatile global market.

The wealth management business captured the opportunities presented by the ever-growing base of China's new rich, by working closely with CMB's China onshore private banking centres. The onshore and offshore businesses engage clients jointly by offering in-depth market analysis and robust execution capabilities in all product categories across all major global markets. The wealth management team also maintains strong relationships with clients so that when clients' goals change, the wealth management plans can be adapted and adjusted based on the new goals to achieve high service quality.

EQUITIES

The Group operates its equities business mainly through its wholly-owned subsidiary, CMBI Securities. CMBI Securities proves itself to be one of the fastest growing brokerage platforms in the market. To expand and target its client base to global long-term funds, sovereign funds, hedge funds, QDII, insurance funds, family fortunes and entrepreneurial clients and to enhance and maintain its competitiveness, the Group strives to provide clients with access to trading liquidity and global research through an innovative technology platform, 24-hour global trading services and diversified products with the goal to increase its profitability. For the years ended 31 December 2018, 2019 and 2020, the Group's equities business generated total revenue of HK$102 million, HK$114 million and HK$414 million, respectively, accounting for 4.7 per cent., 4.2 per cent. and 10.1 per cent. of the Group's total revenue, respectively.

Institutional Sales

The Group's institutional sales business was established in 2017 and is taking a leading position among its Chinese peers in Hong Kong in the past years. Leveraging the Group's excellent research services and extensive client network, institutional sales business has expanded its coverage from a single market to multi-markets including Hong Kong, U.S., PRC and over-the-counter ("**OTC**") markets. It also expanded from traditional cash stock business into global institutional business with diversified product offerings. The Group's institutional client coverage has also been quickly expanded from 313 in 2018 to 280 in 2019 and further to 506 in 2020 including Chinese and foreign institutions and other professional investors. The institutional sales team consists of highly qualified professionals with, on average, more than ten years of experience in top-tier investment banks, who are highly ranked in Asiamoney Brokers Poll 2020.

The institutional sales team is based in Hong Kong and Singapore. With an in-depth understanding of the China market and investment opportunities therein, it has established a long-term and close collaboration with more than 500 domestic and global investors, including global long-term funds, sovereign funds, Chinese QDIIs, insurance funds, hedge funds and other large institutions. As at 31 December 2020, the Group had more than 860 institutional investor accounts.

In order to create a comprehensive closed-loop service value chain, the institutional sales and trading team aims to cover the entire life cycle of the equity investment: from position building via subscription, financing, research and consulting, to position holding, including custody, asset management, security lending, investment management and research services, and to liquidation, through block trade and lightning placement. Apart from ordinary cash equity products, the Group provides complex products including structured products and securities lending, in order to meet the client demand for a diversified non-cash equity business platform.

Research products

The Group boasts a strong team of experienced and high-calibre analysts, and produces bilingual research reports covering economics, equity strategy and 15 sectors across Hong Kong, PRC and U.S. markets. The chief economist of CMB, Dr. Edward Ding, is also appointed as the chief economist of the Group, and offers deep insight and integrated analysis of global and China economic trends. The sector analysts cover more than 180 listed companies in the Hong Kong, PRC and U.S. markets, and offer a wide range of research products including daily note, market strategy, economics analysis, as well as company and sector reports. The Group's research team achieved outstanding results in Asiamoney Brokers Poll 2020, ranking third in Best for Overall Research in both "Hong Kong (local shares) and "PRC (H-shares, Red Chips & P-Chips)" markets.

Retail and Fintech Business

The retail brokerage business has become increasingly competitive with the rise of discount brokers in recent years. To stay ahead in the competition, the Group has always striven to be innovative and revolutionary in the products and services that the Group provides. In March 2019, the Group rolled out the cutting edge in-house developed APP壹隆環球 (Yat Lung GloBal). With壹隆環球 (Yat Lung GloBal), the Group was one of the first to provide online account opening system and leveraged eIPO on the APP platform. Retail brokerage business has acquired over 50,000 clients since the launch of 壹隆環球 (Yat Lung GloBal), and the aggregate value of assets in client accounts has also surged to over HK$31.3 billion in less than 26 months. The number of client accounts has rapidly increased from 7,280 in 2018 to 22,594 in 2019 and further to 46,073 in 2020. As of April 2021, the number of retail client accounts has reached more than 59,000. The Group successfully captured the increasingly high interest of investors to participate in the U.S. stock market and started promoting its U.S. brokerage business since late 2020. Fintech has always been one of the Group's core strengths that enable the Group to provide the best service and investment experience: the Group is one of the first movers to launched the high-frequency trading ("**HFT**") and program trading in 2019. For the years ended 31 December 2018, 2019 and 2020, the Group's turnover volume in the Hong Kong stock market was HK$200 billion, HK$314 billion and HK$598 billion, respectively. As at the date of the Offering Circular, HFT and program trading accounted for over 50 per cent. of the Group's total turnover volume, which helped advance its ranking in Hong Kong Stock Exchange Participants' Market Share.

STRUCTURED FINANCE

The Group operates its structured finance business mainly through its wholly-owned subsidiary, CMBI Finance, incorporated in Hong Kong. Since its establishment in 2016, structured finance business has established a solid franchise in the greater China and Southeast Asia market.

Structured finance business has a wide range of projects sourcing channels, both externally and internally. Firstly, CMB has an attractive client base, which includes many high-profile enterprises, and CMB's investment banking department and strategic investors from the transactional banking business might also have vital cross-border financing needs. Second, pre-IPO clients, institutional and corporate clients and high-net-worth clients from other business lines of the Group also serve as a critical sourcing channel. Moreover, the Group's structured finance business proactively seeks new businesses from quality public funds, other investment banks and co-investors to embrace the marketisation trend in the industry.

The Group focuses on providing comprehensive and innovative products to fulfil various financing demands from institutional, corporate and individual clients by strategically collaborating with the CMB's onshore and offshore investment platforms and CMBI's other business lines. Typical transaction types are senior loans, mezzanine debt, junior debt, credit notes, preferred equity and typical solutions present in multiple industries, including, among other industries, real estate, new economy, TMT, healthcare, new infrastructure and consumer industry. The products offered by the Group serve well as the extensions and complements of the conventional commercial banking service of CMB.

The Group's structured finance business actively acts as lead arranger, lead investor or co-investor for each financing transaction. As such, it generates revenue from both fee income for structuring the transaction, and interest income for investing in the transaction with the Group's internal resource. The structured finance business has an established wide distribution network covering 80 target investors, 30 of whom have high activeness. This is mainly because it maintains close relationship with most of the major private credit investors in Hong Kong and some of these investors have repeatedly participated in transactions arranged by CMBI. The investor pool of CMBI's structured finance business broadly consists of Chinese state-owned commercial banks, Chinese investment banks, asset management companies, Chinese companies' offshore investment platforms, sovereign wealth funds, international credit funds, international commercial and investment banks and high-net-worth individuals. The Group believes that the pool of potential clients will expand further, which will offer a solid foundation for the Group's aggregate business expansion to meet customers' diversified financing needs in the future.

For the years ended 31 December 2018, 2019 and 2020, the Group's structured finance business generated revenue of HK$348 million, HK$506 million and HK$453 million, respectively, accounting for 16.1 per cent., 18.8 per cent. and 11.1 per cent. of the Group's total revenue, respectively. The aggregate transaction amount of the transaction that the Group's structured finance team arranged and participated also experienced continuous and healthy growth. As an asset arranger under a light-asset model, the structured finance business has accomplished numerous transactions aggregately valued at around U.S.$9 billion in total assets and syndicated over U.S.$7 billion, with an average asset distribution ratio over 75 per cent. as at 31 December 2020. The widening target investor pool would further drive the expansion and growth of the structured finance business to meet customers' various financing needs.

REGULATORY REQUIREMENTS AND COMPLIANCE

The Group is subject to the regulatory regimes in Hong Kong and the PRC, as well as the requirements set out by the various professional industry bodies.

SFO and the HKSE

Due to the licensing regime of the SFC, in order to engage in the business of the Group, such as corporate finance, asset management, wealth management and equities, the relevant entities within the Group and their responsible personnel are required to obtain and hold the relevant licences from the SFC and to be in compliance with applicable regulatory requirements from time to time.

Apart from SFO, the Group's licensed entities and their licensed personnel are required to comply with Hong Kong subsidiary legislation and regulations, codes and guidelines developed by the SFC, as well as rules and regulations introduced and administered by the HKSE and the Hong Kong Futures Exchange Limited (the "**Futures Exchange**"). Any broker-dealer that intends to operate a brokerage business for products available on Hong Kong Exchanges and Clearing Limited or which uses the trading facilities of the HKSE and/or Futures Exchange, must be admitted and registered as an Exchange Participant (as defined in the SFO) of that exchange. Becoming an Exchange Participant requires, among other things, the company to be a limited company incorporated in Hong Kong or an individual ordinarily resident in Hong Kong and to meet certain liquid capital requirements. Exchange Participants are classified into three categories:

- Category A – the 14 largest firms by market turnover;
- Category B – the 15th to 65th largest firms by market turnover; and
- Category C – other stockbrokers in the market.

CMBI Securities belongs to Category B.

The Futures Exchange is a recognised exchange under the SFO. It operates and maintains a futures market in Hong Kong and is the regulator of Futures Exchange Participants with respect to trading matters. One of the subsidiaries of the Guarantor, CMB International Futures Limited, holds Hong Kong Futures Exchange Futures Commission Merchant licence and is a Futures Exchange Participant.

MLO

The MLO is a comprehensive regulatory statute governing consumer loan providers other than authorised institutions within the meaning of the Banking Ordinance (Cap. 155) of Hong Kong such as banks and deposit-taking companies. The MLO stipulates that only persons granted with a money lenders licence issued by a licensing court may carry on the business of a money lender. The MLO further states that such persons must carry on such money lending business in accordance with the conditions and only at the premises specified in the licence. CMBI Finance has obtained and continues to maintain a money lenders licence and is licensed to carry on money lending business in accordance with the MLO.

IO

The Insurance Ordinance (along with its subsidiary legislation) (Cap. 41) of Hong Kong (the "**IO**") is the principal legislation to regulate the insurance industry in Hong Kong. The regulatory framework applicable to insurers and insurance intermediaries in Hong Kong is set out in the Insurance Ordinance. The Insurance Ordinance sets out the requirements for the authorisation/licensing, ongoing compliance and reporting obligations of insurers and insurance intermediaries. The Insurance Authority ("**IA**") is a statutory body set up to administer the Insurance Ordinance. The principal functions of the IA are to regulate and supervise the insurance industry for the promotion of the general stability of the insurance industry and for the protection of existing and potential policy holders. CMB International Insurance Consultancy Co., Limited had obtained and continues to maintain an insurance intermediary licence and is licensed to carry on insurance intermediary business in accordance with the IO.

RISK MANAGEMENT

The Group has adopted and developed its sound and tailored risk management system with reference to the CMB Group's well-developed risk management system and offshore best practices, and has established an effective risk management structure system pursuant to the relevant laws and regulations and regulatory requirements.

The key objectives of the Group's risk management framework are to achieve reasonable balance between risk and return, limit risks to a controllable level, maximise the corporate value and constantly solidify the foundation for the steady and sustainable development of the Group.

Risk Management Framework

The Group has established a multi-level risk management organisational structure in accordance with business development and the need for risk management and defined specific duties of the management committee, senior management, various committees, independent departments performing risk management functions, business departments.

Risk Governance Structure

The Management Committee of the Group is delegated by the Board of Directors for the firm-wide risk management and review and approve the overall risk management goals primarily through the various committees.

Various committees determine the risk management strategies for specific business lines with well-defined and delegated approval authority in accordance with the overall risk management goals. The members of committees include senior management, managers-in-charge of the business departments and managers-in-charge of independent departments performing risk management functions. Anti-Money Laundering & Operations Committee is responsible for reviewing and approving of firm level products, policies and procedures for different businesses. Credit Committee is responsible for, among other things, reviewing and approving any credit related project investments and the credit related business' risk framework. Investment Committee is responsible for assessing and approving Group's own investments in different projects and businesses.

Performing risk management functions, independent departments, including but not limited to Risk Management Department, Legal and Compliance Department, Finance Department and Internal Audit Departments, coordinate to manage various risks based on their respective perspectives. Business departments take the primary responsibility for the effectiveness of risk management.

Risk to the Group's Business Activities and Management Measures

Risks related to business activities of the Group mainly include credit risk, market risk, liquidity risk, operational risk, compliance risk, legal risk, IT security and reputational risk, etc. All the risk management and controls are assigned to different departments according to their roles and responsibilities. The Group pro-actively responds to risks through effective risk management measures, which generally prevents the occurrence of significant risk events and ensures the stable development of the business operation of the Group.

Credit Risk

Credit risk refers to risk that financial loss arises from the failure of a client or counterparty to meet its obligations under a transaction.

The Group has adopted the following measures to manage credit risk in margin financing and structured finance loans, bond investments and other businesses:

- Approving credit limits to counterparties;
- Closely monitoring margin ratios, collateral ratios and their concentration;
- Establishing and implementing related risk management policies;
- Monitoring and tracking bond issuers' credit profiles so as to constantly evaluate and warn any credit deterioration.

In accordance with HKFRS 9, the Group recognised provision for losses in respect of debt investments not measured at fair value through profit or loss based on expected credit loss. The Group classifies each financial instrument into different risk stages based on whether the credit risk of the relevant financial instrument has increased significantly since its initial recognition. Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date.

Market Risk

Market risk refers to potential loss in asset value as a result of adverse market changes, including stock prices, interest rates, credit spreads and foreign exchange rates.

- The Group measures market risk mainly by means of Value at Risk (VaR) analysis, stress tests and sensitivity analysis, etc.
- The Group has formulated a risk limit indicator framework based on the business nature, such as notional limit, VaR limit, concentration limit, sensitivity limit and stop-loss limit, etc.
- The Group monitors risk limit usage on a daily basis. The Risk Management Department monitors the usage of limits independently and provides risk reporting for the senior management and business departments.

Liquidity Risk

Liquidity risk is managed through monitoring the Group's liquidity position, and the market liquidity condition. The Group's primary source of liquidity risk arises from mismatches in cash flow in different time period buckets of the Group's assets and liabilities. Liquidity risk of the Group is managed by monitoring the liquidity gap ratio under different time buckets.

Operational Risk

Operational risk refers to the risks of losses resulting from failed or defective internal procedures or IT systems, human factors and external events. Operational risk can occur in all business operations and daily operations of the Group, which may eventually lead to other risks such as legal risk, compliance risk and reputational risk.

The Group has adopted the following measures to manage operational risk:

- Implementing sound policies and procedures to identify, assess, control, manage and report risks under its internal control framework;

- Applying operational risk loss data collection, risk and control self-assessment, and key risk indicators to identify, assess, monitor, and respond to operational risks;

- Clarifying the communicating, reporting and processing mechanisms for operational risk information;

- Establishing a business continuity plan to ensure business continuity in the event of sudden business disruptions.

Capital management

The Group's primary objective in capital management is to ensure that it maintains sufficient capital in order to support its business and maximise shareholder value. In addition, several subsidiaries of the Group licensed by the SFC are obliged to meet regulatory liquid capital requirements under the SF(FR)R at all times. In order to meet this regulatory requirement, the Group shall maintain a liquid capital of 120.0 per cent., where liquid capital is calculated in accordance with the requirements under the SF(FR) R. The Group's strategy is to maintain a solid capital base to support the operations and business development in the long term.

EMPLOYEES

The Group had 545 employees as at 31 December 2020, 70 per cent. of whom were based in Hong Kong. The Group has maintained good working relationships with its employees and does not foresee any difficulties in the recruitment and retention of experienced staff. To ensure the high quality of its employees and the services provided by the Group, the performance of the Group's employees is assessed using both qualitative and quantitative measures, where assessment indicators, criteria and weightings aligned with that used by the CMB Group to ensure a streamlined and uniform approach across the CMB Group. In addition, the Group is committed to developing and nurturing the talent of its employees through the provision of appropriate training and seminars, business cooperation and staff secondment opportunities.

REGISTERED OFFICE

The registered office of CMBI is located at 45/F and 46/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

IT

The Group's IT department is responsible for designing, developing, operating and maintaining the computer systems of the Group. It aims to deliver secure and reliable systems to support the Group's business operations. It also maintains provision of necessary infrastructure for the business needs and development of the Group.

The Group's IT systems support transaction management, customer service, risk management, investment, accounting and internal enterprise management functions. The Group aims to maintain its information and systems security by adopting common and up-to-date information security techniques, such as firewalls and intrusion detection systems. The Group strives to enhance its customer experience and service, provide flexibility for future business needs, respond to market development trends and increase its competitiveness in the markets where it operates. For example, the Group has developed its own APP "壹隆環球" and web-based trading terminal to satisfy the needs of its wealth management clients and retail clients. This is in line with the fintech development trend in recent years. The mobile application provides market data and financial news, as well as account opening and online trading services.

INSURANCE

The Group maintains standard insurance in relation to its risk exposure arising from the nature of its business, such as financial institutions civil liability insurance, office premise and property damage insurance, employee compensation insurance, personal injury insurance, life and personal accident insurance, critical illness insurance, medical, dental and travel insurance and endowment insurance. The Group's insurance coverage is provided by reputable companies with commercially reasonable limits and deductibles on coverage and complies with the statutory requirements in Hong Kong. The Group believes that its insurance coverage is sufficient for its present purposes and is consistent with coverage for its competitors in Hong Kong. The Group periodically reviews its insurance coverage to ensure that it has adequate coverage for its business.

The Securities and Futures (Insurance) Rules (Cap. 571AI) of Hong Kong ("**SFIR**") provides insurance requirements applicable to corporations licensed for certain regulated activities. Except in the case of an exemption, a corporation involved in Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts) or, Type 8 (Securities Margin Financing) regulated activities is required to take out specified amounts of insurance for certain specified risks. The Group has three subsidiaries, CMBI Securities, CMBI Futures and Yat Lung Securities, which involve in and possess licences to engage in Type 1 (Dealing in Securities) and Type 2 (Dealing in Futures Contracts) regulated activities and these subsidiaries have obtained and continue to maintain insurance coverage that fully complies with the SFIR.

LEGAL PROCEEDINGS

As at the date of the Offering Circular, there are no current litigation or arbitration proceedings against the Group, which could have a material adverse effect on the Group's business, financial condition or results of operations. As at the date of this Offering Circular, the Group is not aware of any pending or threatened litigation or arbitration proceedings against it, which could have a material adverse effect on the Group's business, financial condition or results of operations.

DIRECTORS AND SENIOR MANAGEMENT

As at the date of this Offering Circular, the members of the board of directors and senior management of CMBI are as follows:

BOARD OF DIRECTORS

Name	Position
Tian Huiyu	Chairman
Zhao Ju	Director and chief executive officer
Zhu Qi	Director
Zhang Cheng	Director
Peng Jiawen	Director
Chan Ka Keung Ceajer	Independent Non-Executive Director
Lu Zhengfei	Independent Non-Executive Director
Ding Yibing	Independent Non-Executive Director
Xu Xiaosong	Director

Mr. Tian Huiyu is the chairman of CMBI. Mr. Tian is also the executive director, president and chief executive officer of CMB. Prior to his current role, Mr. Tian was the vice president of the Trust Investment branch of China Cinda Asset Management Co., Ltd. from July 1998 to July 2003, the vice president of Bank of Shanghai from July 2003 to December 2006, and he consecutively served as the deputy general manager of the Shanghai branch, the head of the Shenzhen branch, and the general manager of the Shenzhen branch, of China Construction Bank Corporation ("**CCB**") from December 2006 to March 2011. He acted as the business executive of retail banking at the head office, and the head and the general manager of the Beijing branch of CCB from March 2011 to May 2013. Mr. Tian joined CMB in May 2013 and has served as the president of CMB since September 2013. Currently, Mr. Tian also serves as the vice chairman of Merchants Union Consumer Finance Company Limited, the chairman of board of supervisors of National Association of Financial Market Institutional Investors, a consultant of Shenzhen Strategic Advisory Committee for Enhancing Enterprise Competitiveness (深圳市提升企業競爭力戰略諮詢委員會), the vice president of China Chamber of International Commerce, a member of High Level Guidance and Management Committee of Information Technology Risk in the Banking Industry (銀行業信息科技風險管理高層指導委員會) and a Director of National Internet Finance Association of China. He obtained a bachelor's degree in infrastructure finance and credit from Shanghai University of Finance and Economics and a master's degree in public administration from Columbia University. He is a senior economist.

Mr. Zhao Ju is a director and the chief executive officer of CMBI. Mr. Zhao served as the executive vice president of CMB from February 2015 to January 2019, and he now serves as the chief investment officer of CMB. Mr. Zhao began his career at China Agri-business Trust and Investment Corporation in July 1988. In September 1991, he joined the international business department of CCB and successively served as director of foreign exchange fund division and director of merchant bank division. In August 1997, he joined Deutsche Bank. In January 2001, he joined China Galaxy Securities Co., Ltd. and served as general manager of the investment banking department. From November 2005 to February 2015, he worked in UBS successively as managing director of the investment banking department and the vice chairman of UBS Asia. Mr. Zhao obtained a bachelor's degree from Tsinghua University and an Executive Master of Business Administration degree from Guanghua School of Management of Peking University.

Mr. Zhu Qi is a director of CMBI. Mr. Zhu joined CMB in August 2008 and was an executive vice president of CMB from December 2008 to January 2019. He was the deputy general manager and general manager of Industrial and Commercial Bank of China, Hong Kong Branch and the director, managing director and chief executive officer of Industrial and Commercial Bank of China (Asia) Limited from 1995 to 2008. Mr. Zhu is concurrently the chairman and executive director of CMB Wing Lung Bank and a director of the Hong Kong Chinese Enterprises Charitable Foundation Limited. Mr. Zhu obtained a bachelor's degree in economics from Dongbei University of Finance and Economics and a master's degree in economics from Zhongnan University of Finance and Economics.

Mr. Zhang Cheng is a director of CMBI. Mr. Zhang is currently the general manager of the Human Resources Department of CMB. Mr. Zhang joined CCB in 1993, where he acted as deputy general manager of the Corporate Business Department of the Shenzhen Branch, deputy director of the Real Estate Finance Business Center, deputy general manager of the Conglomerate Customer Department, general manager of the Real Estate Banking Department, office manager of the Beijing Branch and general manager of the Risk Management Department. He joined CMB in 2014. Mr. Zhang graduated from Renmin University of China with a bachelor's degree in economics and a master's degree in business administration.

Mr. Peng Jiawen is a director of CMBI. Mr. Peng is currently the general manager of the Asset and Liability Management Department of CMB. He joined CCB in 1992, where he acted as vice president of the Jiang'an Branch in Wuhan, Hubei Province. He joined CMB in 2001 and acted as deputy general manager of the Planning and Finance Department, vice president of the Retail Finance Department, general manager of the Retail Credit Department, general manager of the Investment Management Department and president of the Zhengzhou Branch. Mr. Peng graduated from Zhongnan University of Finance and Economics with a bachelor's degree in economics.

Mr. Chan Ka Keung Ceajer, GBS, JP, is an independent non-executive director of CMBI. Currently, Mr. Chan acts as chairman of WeLab Bank Limited, senior adviser of WeLab Holdings Limited and adjunct professor at HKUST Business School. He is a member of the Competition Commission and non-executive director of The Hong Kong Mortgage Corporation Limited. In the past, Mr. Chan held a number of important public service positions, including chairman of the Consumer Council, director of the Hong Kong Futures Exchange and member of the Commission on Strategic Development, the Commission on Poverty, the Exchange Fund Advisory Committee, the Hang Seng Index Advisory Committee and the Hong Kong Council for Academic Accreditation. Between July 2007 and June 2017, Mr. Chan acted as Secretary for Financial Services and the Treasury of the Hong Kong SAR government. Prior to his appointment to the Hong Kong SAR government, he was the Dean of HKUST Business School. Mr. Chan received his bachelor's degree in economics from Wesleyan University, followed by an MBA and a Ph.D. in finance from the University of Chicago.

Mr. Lu Zhengfei, Ph.D., is an independent non-executive director of CMBI. Mr. Lu currently is an accounting professor and doctoral supervisor at Guanghua School of Management, Peking University, distinguished professor under the Changjiang Scholars Program of the Ministry of Education of China and director of the Financial Analysis and Investment and Wealth Management Research Centre. He is also a disciplines planning and appraisal expert of the National Social Science Fund, an executive director of the Accounting Society of China, a deputy head of the Financial Management Committee of the Accounting Society of China, the chief editor of the accounting section of the Management Volume of the Encyclopedia of China, and a member of the editorial boards of "Accounting Research" and "Audit Research". Mr. Lu was selected for the "Beijing Social Science and Theory Talents Top 100 for the New Century" in 2001, the "New Century Talent Support Program" of the Ministry of Education of China in 2005, the "Accounting Experts Development Project" (the first batch) of the Ministry of Finance of China in 2013 and the Distinguished Professor under the Changjiang Scholars Program of the Ministry of Education of China in 2014. He has acted as an independent director/supervisor of several listed companies, including Bank of China Limited. Mr. Lu received a bachelor's degree in finance and accounting from the Accounting Department of Hangzhou Business School (currently Zhejiang Gongshang University), a master's degree in accounting from Renmin University of China and a doctor's degree in administration from Nanjing University. Mr. Lu also did his postdoctoral research at the postdoctoral economic (accounting) research centre of Renmin University of China.

Mr. Ding Yibing is an independent non-executive director of CMBI. Mr. Ding is currently executive vice president of Greater China region of Rothschild & Co. Mr. Ding was one of the four founding partners of Quintus Partners, the managing director as well as head of Greater China Investment Banking Division of Barclays PLC, establishing its Greater China business and developed it into a full-range service provider, which was ranked top of China cross-border M&A league in 2013. He served as managing director and joint head of Asia M&A Division of Morgan Stanley, leading the establishment of Morgan Stanley Huaxin Securities, a PRC joint venture securities company; managing director and joint head of Investment Banking Division of UBS Securities; managing director of Investment Banking Division of UBS AG. He has also served ING Barings in Hong Kong and Ernst & Young in London. Mr. Ding received his bachelor's degree in English Literature from Fudan University and was an exchange student at Leeds University, UK. He is an ICAEW Chartered Accountant.

Mr. Xu Xiaosong is a director and a management committee member of CMBI. Mr. Xu joined CMBI in October 2015. Prior to his current position, Mr. Xu served as the deputy director of the research institute of Shenzhen Stock Exchange, the vice president of China Southern Asset Management Co., Ltd., the general manager of CPIC Fund Management Co., Ltd., the general manager of China Merchants Fund Management Co., Ltd., the chairman of China Merchants Wealth Asset Management Co., Ltd. and the chairman of CMS Asset Management (HK) Co., Limited. Currently, Mr. Xu also serves as the general manager of CMB International Capital Management (Shenzhen) Limited. Mr. Xu obtained doctor's degree in applied economics from University of Alberta.

SENIOR MANAGEMENT

Name	Position
Zhao Ju	Chief executive officer
Han Gang	Management Committee Member, Vice President
Xu Xiaosong	Management Committee Member
Lian Suping	Management Committee Member
Li Weirong	Management Committee Member
Li Xiaodai	Management Committee Member
Gao Yiwen	Chief financial officer
Yang Xiaojun	Chief operating officer
Wang Hongbo	Chief investment officer

For the details biographies of Mr. Zhao Ju and Mr. Xu Xiaosong, please refer to "Board of Directors" above. The biographies of other senior management personnel are as follows:

Mr. Han Gang joined CMBI in April 2020 and is currently the vice president and a management committee member of CMBI. Prior to his current role, Mr. Han worked in the investment banking division of Everbright Securities Co., Ltd. from 2000. He joined UBS Securities Asia Limited Beijing Representative Office as deputy director in 2006. From 2007 to 2015, he worked at UBS Securities Co., Limited as managing director and deputy head of Investment Banking Division. In 2015, Mr. Han joined CMB as general manager of the Investment Banking Department of the head office. He was a deputy chairman member of the Fourth Bond Market Professional Committee of NAFMII. Mr. Han has more than 20 years of experience in the financial industry and extensive business and management experience in capital markets in China and abroad and in areas such as inter-bank bond market, acquisition finance and structured finance. Mr. Han graduated from the Central University of Finance and Economics with Ph. D. in economics.

Ms. Lian Suping joined CMBI in April 2017 and is currently a management committee member of CMBI. Prior to her current role, Ms. Lian was the assistant general manager and the vice general manager of the investment bank department of the Shenzhen branch of CCB and the vice general manager of the investment bank department of the Beijing branch of CCB. Ms. Lian joined CMB in 2014 and since then, she has served successively as the assistant general manager and deputy general manager of the asset management department of the head office of CMB. Ms. Lian obtained a bachelor's degree from Xidian University.

Mr. Li Weirong joined CMBI in February 2010 and is currently a management committee member of CMBI. Mr. Li joined CMB in 1993 and since then, he has served as the relationship manager of the offshore banking department of the head office of CMB and the director of the credit and international department of credit of the Shenzhen Bao'an sub-branch of CMB and the senior manager of the corporate banking department of the head office of CMB. Mr. Li obtained a master's degree from National University of Singapore.

Mr. Li Xiaodai joined CMBI in July 2015 and is currently a management committee member of CMBI. Prior to his current role, Mr. Li was appointed as the managing director of China International Capital Corporation Limited in 2012. Mr. Li has over 20 years of financial and investment banking experience. Mr. Li has obtained a master's degree from Central University of Finance and Economics.

Ms. Gao Yiwen joined CMBI in June 2016 and is the chief financial officer of CMBI. Prior to her current role, Ms. Gao was the managing director of the investment bank department of UBS Securities Co., Limited from 2007 and managing director of the investment bank department of Deutsche Bank AG, Hong Kong Branch from 2014. Ms. Gao has over 20 years of experience in the financial industry. Ms. Gao obtained a master's degree from London School of Economics and Political Science and a master's degree from Chinese Academy of Fiscal Sciences.

Mr. Yang Xiaojun joined CMBI in July 2017 and is the chief operating officer of CMBI. Prior to his current role, Mr. Yang served in CCB as the senior manager of the financial department of the head office, the senior manager of the office of the board of supervisors and the director of the regional audit office. He also served as the chief financial officer and board secretary of CCB International (Holdings) Limited. Mr. Yang has over 20 years of experience in the financial industry. Mr. Yang obtained a master's degree from Shanghai Jiao Tong University.

Mr. Wang Hongbo joined CMBI in 2015 and is the chief investment officer of CMBI. Prior to his current role, Mr. Wang has worked as chief investment officer of the private equity division of Ping An Securities, and as managing director of TCL Venture Capital and Board Secretary of TCL. Mr. Wang obtained a master's degree from Sun Yat-sen University, and he is a member of the Association of Chartered Certified Accountants.

TAXATION

The following summary of certain British Virgin Islands, Hong Kong, PRC and, EU tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Noteholder or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes. Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

BRITISH VIRGIN ISLANDS

Under existing British Virgin Islands laws, payments of interest and principal on the Notes will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes nor will gains derived from the disposal of the Notes be subject to British Virgin Islands income or corporation tax, provided that the payments are made to persons who are not resident in the British Virgin Islands. No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Notes. There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Issuer. If neither the Issuer nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Notes and the Certificates or on an instrument of transfer in respect of the Notes or Certificates.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the "**SDO**")).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this "Taxation – PRC" section. In considering whether to invest in the Notes, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management body" are within the territory of China are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25 per cent. in respect of their taxable income. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer or the Guarantor is within the territory of PRC, the Issuer or the Guarantor may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25 per cent. on its taxable income. At the date of this Offering Circular, neither the Issuer nor the Guarantor has been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there is no assurance that the Issuer or the Guarantor will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent. Accordingly, in the event the Issuer or the Guarantor is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer or the Guarantor would be required to withhold income tax from the payments of interest or premium (if any) in respect of the Notes to any non-PRC Noteholder, and gain from the disposition of the Notes may be subject to PRC tax, if the income or gain is treated as PRC-source. The tax rate is generally 10 per cent. for non-resident enterprise Noteholders and 20 per cent. in the case of non-resident individuals, unless a lower rate is applicable. The Issuer or the Guarantor (as the case may be) has agreed to pay additional amounts to Noteholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

To the extent that the PRC has entered into arrangements relating to the avoidance of double income taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of PRC income taxes, such lower rate may apply to qualified non-PRC resident enterprise Noteholders or individual Noteholders. However, it is unclear whether in practice non-PRC Noteholders might be able to obtain the benefit of income tax treaties entered into between PRC and their countries.

According to Circular 36, which was amended on 11 July 2017 and 20 March 2019, VAT is applicable where entities or individuals provide financial services such as providing loans within the PRC. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. Circular 36 further clarifies that "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of loans under Circular 36, the issuance of Notes may be treated as the Noteholders providing loans to the Issuer, which will be regarded as providing financial services for VAT purposes. In the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, Noteholders may be regarded as providing financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident Noteholders may be subject to withholding VAT at the rate of 6 per cent. In addition, the holders of the Notes shall also be subject to the local levies at approximately 12 per cent. of the VAT payment. Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

Subject to certain exceptions, the Issuer and Guarantor will be required to pay additional amounts with respect to any such PRC withholding taxes. The requirement to pay additional amounts will increase the cost of servicing the Notes and will adversely impact the cash flows of the Issuer and Guarantor. In addition, if any PRC tax is imposed on the disposition of the Notes, an investor's investment return would be materially and adversely affected.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States, and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

FATCA Withholding

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong and the British Virgin Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply to foreign passthru payments prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes that are characterised as debt (or which are not otherwise treated as equity and have a fixed term) for U.S. federal income tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from grandfathered Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all the Notes in the series, including grandfathered Notes, as subject to withholding under FATCA. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

PRC CURRENCY REGULATIONS

REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

CURRENT ACCOUNT ITEMS

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers. Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012, except that the key enterprises on a Supervision List determined by PBOC and five other relevant authorities would be subject to enhanced scrutiny when banks process current account cross-border repatriations.

On 5 July 2013, PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (the "**2013 PBOC Circular**") with the intent to improve the efficiency of cross border Renminbi settlement and facilitate the use of Renminbi for the settlement of cross border transactions under current accounts or capital accounts. In particular, the 2013 PBOC Circular simplifies the procedures for cross border Renminbi trade settlement under current account items. On 1 November 2014, PBOC introduced a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. On 5 September 2015, PBOC promulgated the Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups (關於進一步便利跨國企業集團開展跨境雙向人民幣資金池業務的通知) (the "**2015 PBOC Circular**"), which, among others, have lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow.

On 5 January 2018, PBOC promulgated the Notice on Further Fine-tuning the Policies on Cross-border Renminbi Business to Promote Trade and Investment Facilitation (《中國人民銀行關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知》). Accordingly, an enterprise shall be allowed to use Renminbi to settle all cross-border transactions that may be settled by foreign currencies pursuant to PRC laws.

On 23 October 2019, the SAFE promulgated the Circular of Further Promoting Cross-border Trade and Investment Facilitation (《關於進一步促進跨境貿易投資便利化的通知》), which further provided details in facilitating foreign exchange procedures in compliance with PRC laws.

On 31 December 2020, the PBOC, the NDRC, the MOFCOM and Other Department promulgated the Circular of Further Optimising the Cross-border RMB Policies to Support the Stability of Foreign Trade and Foreign Investment (《關於進一步優化跨境人民幣政策支持穩外貿穩外資的通知》), which further states domestic banks may process the cross-border RMB settlement business under the current account for enterprises by reviewing the valid electronic documents or electronic information submitted by such enterprises.

The foregoing circulars are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Circular and impose conditions for settlement of current account items.

CAPITAL ACCOUNT ITEMS

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration of filing with, the relevant PRC authorities.

Settlements for capital account items were generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency.

Under progressive reforms by PBOC, the MOFCOM and the SAFE, foreign investors are now permitted to use Renminbi to settle all capital account items that can be settled in foreign currencies. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements for capital account payments in Renminbi are being removed gradually. In addition, the Circular on Reforming Foreign Exchange Capital Settlement for Foreign Invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) which became effective on 1 June 2015 and was amended on 30 December 2019, allows foreign-invested enterprises to settle 100 per cent. (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through the SAFE's equity interest confirmation procedure for capital contribution in cash or registered by a bank on the SAFE's system for account-crediting for such capital contribution) into Renminbi according to their actual operational needs. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth under the Circular. In particular, a foreign invested enterprise with investment as its main business is permitted to use such Renminbi proceeds to make equity contribution to its invested enterprises directly, without further fillings with SAFE.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as "foreign debt") and lend Renminbi-denominated loans to foreign borrowers (which are referred to as "outbound loans"), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in denominated and make payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as "**cross-border security**"). Under current rules promulgated by SAFE, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies.

According to the 2015 PBOC Circular, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group.

On 10 June 2018, the State Council issued the Notice of the State Council on Certain Measures for Actively and Effectively Utilising Foreign Investment to Promote Quality Economic Development (《國務院關於積極有效利用外資推動經濟高質量發展若干措施的通知》), to simplify the management of cash pools, relax the filing conditions for pilot for centralised operation and management of foreign exchange funds of multinational corporations and support multinational enterprise groups in conducting cross-border bi-directional Renminbi cash pooling business.

On 23 October 2019, the SAFE issued the Notice of Further Facilitating Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), to expand the pilot program of facilitating revenue payment under capital accounts and relax restrictions on the use of foreign exchange funds under capital accounts for foreign exchange settlement. The restrictions on the use of funds in domestic asset realisation accounts for foreign exchange settlement shall be canceled and the restrictions on margin use and foreign exchange settlement by foreign investors shall be relaxed.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future.

The relevant regulations will be subject to interpretation and application by the relevant PRC authorities. If any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

CLEARANCE AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or the CMU (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that each of the Issuer and the Guarantor believes to be reliable, but none of the Group, the Arranger or the Dealers takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Guarantor or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

THE CLEARING SYSTEMS

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in Notes held through Euroclear or Clearstream will be credited, to the extent received by the Issuing and Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Compared to clearing services provided by Euroclear and Clearstream, the standard custody and clearing service provided by the CMU is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest, principal or otherwise) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU.

BOOK-ENTRY OWNERSHIP

Bearer Notes

The Issuer may make applications to Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a Temporary Global Note and/or a Permanent Global Note in bearer form without coupons will be deposited with a common depositary for Euroclear and Clearstream or a sub-custodian for the CMU. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream.

Registered Notes

The Issuer may make applications to Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of the Notes to be evidenced by a Global Certificate. The Issuer may also apply to have Notes to be evidenced by a Global Certificate accepted for clearance through the CMU. Each Global Certificate will have an International Securities Identification Number ("**ISIN**") and a Common Code. Investors in Notes of such Series may hold their interests in a Global Certificate through Euroclear, Clearstream or the CMU (if applicable).

Each Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under "*Subscription and Sale*".

All Registered Notes will initially be evidenced by a Global Certificate. Individual Certificates will be available, in the case of Notes initially evidenced by a Global Certificate, in amounts specified in the applicable Pricing Supplement.

SUBSCRIPTION AND SALE

The Dealers have, in a dealer agreement dated 21 May 2021 and as further amended, restated and/or supplemented from time to time (the "**Dealer Agreement**"), agreed with the Issuer and the Guarantor a basis on which they or any of them may from time to time agree to subscribe Notes. Any such agreement will extend to those matters stated under "*Terms and Conditions of the Notes*". Under the terms of the Dealer Agreement, the Issuer, failing whom the Guarantor, will pay each relevant Dealer a commission (if any) agreed between the Issuer, the Guarantor and the relevant Dealer in respect of Notes subscribed by it. The Issuer and the Guarantor have agreed to reimburse the Arranger for certain of their expenses properly incurred in connection with the establishment of the Programme and any future update of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer and the Guarantor have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer the Guarantor and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor and/or their respective affiliates in the ordinary course of their business. In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

SELLING RESTRICTIONS

United States

In respect of Notes offered or sold in reliance on Category 1 as specified in the applicable Pricing Supplement, the Notes and the relevant Guarantee have not been and will not be registered under the Securities Act, and may not be offered or sold or, in the case of Bearer Notes, delivered within the United States except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold or, in the case of Bearer Notes, delivered, and will not offer or sell or, in the case of Bearer Notes, deliver, any Notes and the relevant Guarantee constituting part of its allotment within the United States. The Notes and the relevant Guarantee are being offered and sold outside the United States in reliance on Regulation S.

In respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, the Notes and the relevant Guarantee have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold or, in the case of Bearer Notes, delivered, any Notes, and will not offer or sell or, in the case of Bearer Notes, deliver, any Notes (i) as part of their distribution at any time and

(ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer who has subscribed for Notes of a Tranche (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant lead manager) shall determine and certify to the Issuing and Paying Agent the completion of the distribution of the Notes of such Tranche. Each Dealer also agrees, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, Dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice setting out the restrictions on offers and sales of the Notes within the United States or, to, or for the account or benefit of U.S. persons.

Terms used in the above provision have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of such Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code and regulations thereunder.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Prohibition of Sales to EEA Retail Investors

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

  (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

  (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Other Regulatory Restrictions

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer or the Guarantor;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other relevant laws and regulations of Japan.

Hong Kong

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the SFO other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to any Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each Dealer represents, warrants and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC or Taiwan), except as permitted by the securities laws of the PRC.

Singapore

Each Dealer acknowledges, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

British Virgin Islands

Each Dealer represents, warrants and agrees, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make any invitation directly or indirectly to the public in the British Virgin Islands or a natural person who is a British Virgin Islands resident or citizen to offer or sell the Notes and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by British Virgin Islands law.

This Offering Circular does not constitute, and there will not be, an offering of the Notes to any person in the British Virgin Islands.

General

Each Dealer agrees, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply in all material respect with all applicable securities laws, regulations and directives in force in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular, any other offering or publicity material or any Pricing Supplement, in all cases at its own expense.

None of the Issuer, the Guarantor, the Trustee, the Agents or any of the Dealers or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. With regard to each Tranche, the relevant Dealer(s) will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer(s) and set out in the applicable Pricing Supplement.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

GENERAL INFORMATION

AUTHORISATIONS

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment and annual update of the Programme and the issue of the Notes thereunder. The establishment and annual update of the Programme and the issue of the Notes thereunder was authorised by the resolutions of the board of directors of the Issuer passed on 20 May 2021.

The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee. The giving of the Guarantee was authorised by the resolutions of the board of directors of the Guarantor passed on 24 March 2021.

The PRC legal advisors to the Issuer, the Guarantor and the Dealers have advised that no approvals or consents are required from any regulatory authorities or other relevant authorities in the PRC for the Issuer and the Guarantor to enter into the Trust Deed and the Agency Agreement.

LITIGATION

There are no legal or arbitration proceedings against or affecting the Issuer, the Guarantor, any of their respective subsidiaries or any of their assets, and neither of the Issuer nor the Guarantor is aware of any pending or threatened proceedings, which would have a material adverse effect in the context of the issue of the Notes or the giving of the Guarantee.

NO MATERIAL ADVERSE CHANGE

Since 31 December 2020, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in or affecting the general affairs, financial condition, results of operations or prospects of the Issuer, the Guarantor and any of their respective subsidiaries.

DOCUMENTS AVAILABLE

For so long as Notes may be issued pursuant to the Programme, copies of the following documents will be available (following prior written request and proof of holding and identity satisfactory to the Trustee), during usual business hours (being between 9:00 a.m. and 3:00 p.m., Hong Kong time) on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the principal office of the Trustee, being at the date of this Offering Circular, 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong:

(i) the Trust Deed (which includes the form of the Global Notes, the Global Certificates, the Notes in definitive form, the Coupons, the Receipts and the Talons);

(ii) the Agency Agreement;

(iii) each Pricing Supplement (save that a Pricing Supplement related to an unlisted series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer or the Trustee as to its holding of such Notes and identity); and

(iv) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced.

For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents will be available (following prior written request and proof of holding and identity satisfactory to the Issuer), during usual business hours (being between 9:00 a.m. and 3:00 p.m., Hong Kong time) on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the principal office of the Issuer, being at the date of this Offering Circular, at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong:

(i) the constitutive documents of each of the Issuer and the Guarantor; and

(ii) the audited consolidated financial statements of the Guarantor.

CLEARING OF THE NOTES

Notes have been accepted for clearance through the Euroclear and Clearstream systems. The relevant ISIN and the Common Code will be specified in the relevant Pricing Supplement. The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. If the Notes are to be cleared through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement.

FINANCIAL STATEMENTS

The Audited Financial Statements, which are included elsewhere in this Offering Circular, have been audited by Deloitte, the Guarantor's independent auditor, as stated in its reports appearing herein.

LISTING OF THE NOTES

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme, and for the permission to deal in, and for the listing of, Notes issued under the Programme during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only.

The issue price of Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of issue of the relevant Notes. Admission to the Hong Kong Stock Exchange and quotation of any Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Programme, the Notes, the Guarantee, the Issuer, the Guarantor or the Group. The Hong Kong Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions or reports contained herein.

TEFRA D LEGEND

Notes issued pursuant to TEFRA D (other than temporary Global Notes) and any Coupons, Receipts and Talons appertaining thereto will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

INDEX TO FINANCIAL STATEMENTS

Audited Financial Information of the Guarantor as at and for the year ended 31 December 2020

Audited Financial Information of the Guarantor as at and for the year ended 31 December 2019

CMB INTERNATIONAL CAPITAL
CORPORATION LIMITED
招银国际金融有限公司

Reports and Consolidated Financial Statements
For the year ended 31 December 2020

CMB INTERNATIONAL CAPITAL CORPORATION LIMITED
招银国际金融有限公司

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS	PAGE(S)

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries (together referred to as the "Group") are mainly engaged in financial and investment advisory, securities and futures brokerage, underwriting, fund management, financing and investment holding. The principal activities of its subsidiaries as at 31 December 2020 are set out in note 15 to the consolidated financial statements. There were no other significant changes to the Group's principal activities during the current year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 7.

The directors now recommend the payment of a final dividend of HK$0.192 per ordinary share in respect of the current year to the ordinary shareholders, approximately to HK$412,930,000, in aggregate.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in notes 39 of the consolidated financial statements. There are no movements in the share capital during the year.

DIRECTORS

The directors during the year and up to the date of this report are:

Zhao Ju	
Tian Huiyu	
Zhu Qi	
Xu Xiaosong	
Liu Hui	(resigned on 1 January 2020)
Peng Jiawen	
Zhang Dong	(resigned on 1 January 2020)
Zhang Cheng	
Yang Fade	(resigned on 1 January 2020)
Zhu Jiangtao	(resigned on 1 January 2020)
Ding Yibing	(appointed on 1 January 2020)
Chan Ka Keung Ceajer	(appointed on 1 January 2020)
Lu Zhengfei	(appointed on 1 January 2020)

According to Articles 22(5) and 23 of Part B of Articles of Association of the Company, the directors appointed by a decision of the directors should retire from office at the next annual general meeting following their appointment and the retiring directors are eligible for reappointment to the office.

BUSINESS REVIEW

In 2020, the sudden outbreak of COVID-19 pandemic has had a significant and far-reaching impact on economic and social development worldwide. Facing this challenge and crisis, the Group adheres to the concept of openness and integration, adheres to the strategic determination of light model, and closely focuses on the integrated operation of the investment and commercial banks, seizes opportunities, maintains business resilience and development vitality, and achieved a breakthrough in major operating indicators. In 2020, the Group's total revenue and net profit were HK$4,104 million and HK$1,427 million, an increase of 52.23% and 57.42% over the previous year respectively.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contract of significance to which the Company's holding companies, subsidiaries, associates, joint ventures or fellow subsidiaries was a party, in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its holding companies, subsidiaries, associates, joint ventures or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that a director or a former director of the Company may be indemnified out of the Company's assets against any liability incurred by the director to a person other than the Company or an associated company of the Company in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or associated company.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Zhao Ju
Director
Hong Kong
18 March 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
CMB INTERNATIONAL CAPITAL CORPORATION LIMITED
招银国际金融有限公司
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of CMB International Capital Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 7 to 82, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial positon of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

TO THE MEMBERS OF
CMB INTERNATIONAL CAPITAL CORPORATION LIMITED - continued
招银国际金融有限公司
(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020 HK$	2019 HK$
Revenue	7	2,651,145,326	2,119,387,276
Other income	8	72,150,812	78,391,756
Share of profit of associates	16	562,420,612	191,786,791
Share of profit of joint ventures	17	818,687,169	306,582,896
Staff costs	9	(1,376,967,759)	(857,625,067)
Depreciation	9	(27,798,708)	(26,250,130)
Amortisation of intangible assets	9	(824,044)	(1,230,347)
Net impairment loss	44	(288,829,714)	(156,266,362)
Commission expenses		(165,633,734)	(88,191,634)
Other operating expenses		(309,712,106)	(284,631,979)
		1,934,637,854	1,281,953,200
Finance costs	9	(209,889,885)	(197,248,037)
Profit before taxation	9	1,724,747,969	1,084,705,163
Income tax	10	(297,828,143)	(178,287,980)
Profit for the year		1,426,919,826	906,417,183
Attributable to:			
- Equity shareholders of the Company		1,376,433,719	876,644,075
- Non-controlling interests		50,486,107	29,773,108
		1,426,919,826	906,417,183
Other comprehensive income (expense), net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations		189,831,932	(38,033,315)
Other comprehensive income (expense) for the year, net of tax		189,831,932	(38,033,315)
Total comprehensive income for the year		1,616,751,758	868,383,868
Attributable to:			
Equity shareholders of the Company		1,566,248,485	839,049,930
Non-controlling interests		50,503,273	29,333,938
		1,616,751,758	868,383,868

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	NOTES	31.12.2020 HK$	31.12.2019 HK$ (Restated)	1.1.2019 HK$ (Restated)
Non-current assets				
Property, plant and equipment	13	43,024,381	44,442,778	50,306,802
Right-of-use assets	14	261,160,927	198,816,453	-
Interests in associates	16	2,802,695,514	694,111,792	616,129,195
Interests in joint ventures	17	2,250,617,080	1,767,145,239	1,530,135,031
Intangible assets	18	13,102,732	7,873,411	5,784,762
Loans and advances to customers	19	2,532,850,675	2,586,259,105	1,937,238,508
Financial assets at fair value through profit or loss	20	2,827,748,137	2,019,540,019	2,050,062,983
Equity instruments at fair value through other comprehensive income	21	74,995,842	-	-
Debt instruments at amortised cost	22	691,327,542	-	-
Prepayments, deposits and other receivables	23	124,386,054	53,971,244	56,872,174
Deferred tax assets	24	114,937,631	52,944,013	39,551,207
		11,736,846,515	7,425,104,054	6,286,080,662
Current assets				
Loans and advances to customers	19	1,700,157,808	2,021,356,134	1,455,679,208
Accounts receivable	25	4,936,091,740	3,564,300,968	1,071,723,828
Repurchase agreements	26	588,907,205	23,237,647	-
Prepayments, deposits and other receivables	23	142,102,771	167,582,535	98,448,925
Tax recoverable		30,838,288	-	-
Amount due from immediate holding company	32	-	39,606,045	-
Derivative financial assets	20	-	3,030,655	-
Financial assets at fair value through profit or loss	20	6,381,307,742	6,026,910,824	3,557,463,837
Debt instruments at amortised cost	22	403,146,690	-	-
Cash held on behalf of customers	27	11,310,465,917	4,299,194,658	4,202,743,461
Cash and bank	28	3,208,874,513	2,861,536,540	3,526,307,743
		28,701,892,674	19,006,756,006	13,912,367,002
Current liabilities				
Accounts payable	29	14,036,188,947	6,362,816,233	4,638,512,849
Other payables and accrued expenses	30	1,720,965,508	1,620,952,142	1,078,929,904
Bonds sold under repurchase agreement	31	930,120,331	1,563,990,083	-
Loans from immediate holding company	32	1,484,142,300	1,681,684,986	1,035,808,690
Amount due to immediate holding company	32	29,126,291	-	145,355,899
Bank and other borrowings	33	4,361,284,272	1,537,907,791	989,762,293
Tax payable		177,300,212	182,800,292	142,286,571
Deferred income	30	104,709,388	7,527,369	6,302,093
Debt securities issued	34	2,325,510,000	-	-
Notes payable	35	1,832,108,321	462,491,051	-
Financial liabilities at fair value through profit or loss	36	873,522,919	1,053,905,448	1,260,639,332
Lease liabilities	37	79,257,713	57,567,228	-
		27,954,236,202	14,531,642,623	9,297,597,631
Net current assets		747,656,472	4,475,113,383	4,614,769,371
Total assets less current liabilities		12,484,502,987	11,900,217,437	10,900,850,033

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AS AT 31 DECEMBER 2020

	NOTES	31.12.2020 HK$	31.12.2019 HK$ (Restated)	1.1.2019 HK$ (Restated)
Non-current liabilities				
Other payables and accrued expenses	30	120,359,815	-	-
Deferred tax liabilities	24	199,918,371	12,377,309	6,640,489
Deferred income	30	30,727,050	29,235,474	46,335,054
Debt securities issued	34	-	2,336,160,000	2,349,210,000
Financial liabilities at fair value through profit or loss	36	4,412,567,764	3,131,340,513	2,837,540,944
Other liabilities	38	46,464,210	15,393,161	44,708,029
Lease liabilities	37	196,012,620	145,031,975	-
		5,006,049,830	5,669,538,432	5,284,434,516
Net assets		7,478,453,157	6,230,679,005	5,616,415,517
Capital and reserves				
Share capital	39	3,265,793,396	3,265,793,396	3,265,793,396
Reserves		4,180,886,619	2,877,628,134	2,154,858,204
Equity attributable to shareholders of the Company		7,446,680,015	6,143,421,530	5,420,651,600
Non-controlling interests		31,773,142	87,257,475	195,763,917
Total equity		7,478,453,157	6,230,679,005	5,616,415,517

The consolidated financial statements on pages 7 to 82 were approved and authorised for issue by the Board of Directors on 18 March 2021 and are signed on its behalf by:

Zhao Ju
DIRECTOR

Xu Xiaosong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to shareholders of the Company						
	Share capital HK$	Exchange reserve HK$	Merger reserve (note a) HK$	Retained profits HK$	Subtotal HK$	Non-controlling interests HK$	Total equity HK$
Balance at 1 January 2019 (as previously reported)	3,265,793,396	(137,366,921)	144,103,461	2,148,121,664	5,420,651,600	211,425,317	5,632,076,917
Prior year adjustment (note 4)	-	-	-	-	-	(15,661,400)	(15,661,400)
Balance at 1 January 2019 (as restated)	3,265,793,396	(137,366,921)	144,103,461	2,148,121,664	5,420,651,600	195,763,917	5,616,415,517
Profit for the year	-	-	-	876,644,075	876,644,075	29,773,108	906,417,183
Other comprehensive expense for the year	-	(37,594,145)	-	-	(37,594,145)	(439,170)	(38,033,315)
Total comprehensive (expense) income for the year	-	(37,594,145)	-	876,644,075	839,049,930	29,333,938	868,383,868
Amount decrease in non-controlling interests (as restated)	-	-	-	-	-	(129,497,352)	(129,497,352)
Dividend paid during the year (note 12)	-	-	-	(116,280,000)	(116,280,000)	-	(116,280,000)
Dividend to non-controlling interests	-	-	-	-	-	(8,343,028)	(8,343,028)
Balance at 31 December 2019 (as restated)	3,265,793,396	(174,961,066)	144,103,461	2,908,485,739	6,143,421,530	87,257,475	6,230,679,005
Profit for the year	-	-	-	1,376,433,719	1,376,433,719	50,486,107	1,426,919,826
Other comprehensive income for the year	-	189,814,766	-	-	189,814,766	17,166	189,831,932
Total comprehensive income for the year	-	189,814,766	-	1,376,433,719	1,566,248,485	50,503,273	1,616,751,758
Amount decreased in non-controlling interests	-	-	-	-	-	(101,489,688)	(101,489,688)
Dividend paid during the year (note 12)	-	-	-	(262,990,000)	(262,990,000)	-	(262,990,000)
Dividend to non-controlling interests	-	-	-	-	-	(4,497,918)	(4,497,918)
Balance at 31 December 2020	3,265,793,396	14,853,700	144,103,461	4,021,929,458	7,446,680,015	31,773,142	7,478,453,157

Note a: Merger reserve has arisen as a result of the combination of businesses under same control. The amount represented the difference between the net book value of acquired business and the consideration paid.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020 HK$	2019 HK$ (Restated)
OPERATING ACTIVITIES			
Profit before taxation		1,724,747,969	1,084,705,163
Adjustments for:			
Share of profit of associates	16	(562,420,612)	(191,786,791)
Share of profit of joint ventures	17	(818,687,169)	(306,582,896)
Gain on lease modification		(2,735,280)	-
Depreciation	13	27,798,708	26,250,130
Depreciation of right-of-use assets	14	66,318,029	60,932,961
Amortisation of intangible assets	18	824,044	1,230,347
Net impairment loss	44	288,829,714	156,266,362
Loss on disposal of associates		-	1,200,422
Net realised gain on disposal of securities and investment fund	7	(325,153,385)	(281,380,248)
Loss on disposal of property, plant and equipment		-	10,737
Net unrealised loss on securities trading and derivatives	7	256,534,784	289,783,342
Finance costs	9	209,889,885	197,248,037
Dividend income	7	(41,179,615)	(16,860,953)
Interest income		(663,436,584)	(428,517,749)
Operating cash flows before movements in working capital		161,330,488	592,498,864
Decrease (increase) in loans and advances to customers		213,227,925	(1,355,870,835)
Increase in debt instruments at amortised cost		(1,213,591,343)	-
Increase in financial assets at fair value through profit or loss		(883,477,596)	(2,439,070,088)
Increase in repurchase agreement	26	(566,148,085)	(23,254,359)
Increase in cash held on behalf of customers		(7,023,065,958)	(97,858,722)
Decrease (increase) in bank deposit with original maturity date for more than three months		356,992,120	(512,026,120)
Increase in accounts receivable		(1,367,231,329)	(2,504,231,637)
Increase in prepayments, deposits and other receivables		(17,158,561)	(42,257,796)
Decrease (increase) in amount due from immediate holding company		39,606,045	(39,606,045)
Increase in accounts payable		7,673,372,714	1,724,303,384
Increase in other payables and accrued expenses		247,713,832	538,461,023
(Decrease) increase in bonds sold under repurchase agreement		(633,869,752)	1,563,990,083
Increase (decrease) in amount due to the immediate holding company		29,126,291	(145,355,899)
Increase (decrease) in deferred income		98,673,595	(15,874,304)
Increase in financial liabilities and other liabilities		629,923,200	57,750,817
Cash used in operations		(2,254,576,414)	(2,698,401,634)
Interest received		647,814,809	409,121,085
Dividend received		31,347,466	19,128,925
Profits tax payment		(208,379,034)	(146,030,987)
NET CASH USED IN OPERATING ACTIVITIES		(1,783,793,173)	(2,416,182,611)

CONSOLIDATED STATEMENT OF CASH FLOWS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020 HK$	2019 HK$ (Restated)
INVESTING ACTIVITIES			
Purchases of intangible assets	18	(6,050,584)	(3,146,018)
Purchases of property, plant and equipment	13	(25,970,384)	(20,412,092)
Proceeds from disposal of a subsidiary	49	102,284,337	-
Payment for equity instruments at fair value through other comprehensive income	21	(74,995,842)	-
Payment for investment in joint ventures		(5,426,190)	-
Proceeds on shares redemption of joint venture		514,504,364	-
Payment for investment in associates		(1,552,880,670)	(92,054,266)
Proceeds on disposal of associates		49,223,252	188,214,578
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(999,311,717)	72,602,202
FINANCING ACTIVITIES			
Interest paid	42	(225,385,818)	(193,686,822)
Proceeds from loans from immediate holding company	42	965,000,000	2,675,278,967
Repayment of loans from immediate holding company	42	(1,157,048,566)	(2,022,457,015)
Increase (decrease) in non-controlling interests		50,289,322	(129,497,352)
Proceeds from bank borrowings	42	156,419,052,352	5,919,839,264
Repayment of bank borrowings	42	(153,630,172,595)	(5,366,418,135)
Dividend paid to shareholders	12	(262,990,000)	(116,280,000)
Dividend paid to non-controlling interests		(4,497,918)	(8,343,028)
Proceeds from issuance of notes	42	3,980,112,233	472,491,051
Repayment of lease liabilities	42	(61,656,600)	(57,150,211)
Redemption of notes	42	(2,649,153,939)	(10,000,000)
NET CASH FROM FINANCING ACTIVITIES		3,423,548,471	1,163,776,719
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		640,443,581	(1,179,803,690)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		2,349,510,420	3,526,307,743
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		63,886,512	3,006,367
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		3,053,840,513	2,349,510,420
Cash and cash equivalents at 31 December		3,053,840,513	2,349,510,420
Deposits with an original maturity over three months	28	155,034,000	512,026,120
Cash and bank	28	3,208,874,513	2,861,536,540

1. GENERAL INFORMATION

The Company is incorporated in Hong Kong with limited liabilities. Its parent is CMB International Capital Holdings Corporation Limited (incorporated in Hong Kong) and its ultimate parent is China Merchants Bank Co., Ltd (incorporated in The People's Republic of China (the "PRC")). The address of its registered office and principal place of business is 45-46/F, Champion Tower, Three Garden Road, Central, Hong Kong.

The principal activities of the Company and its subsidiaries (the "Group") are financial and investment advisory, securities and future brokerage, underwriting, fund management, financing and investment holding.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020[2]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 June 2020.
[5] Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.1 Basis of preparation of consolidated financial statements - continued

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Basis of consolidation - continued

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

When the Group is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiaries. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Basis of consolidation - continued

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries including re-attribution of relevant reserves between the Group and the non-controlling interests, according to the Group's and non-controlling interests proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

When the Group loses control of a subsidiary the assets and liabilities of that subsidiary and non-controlling interests are derecognised, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining, entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Interests in associates and joint ventures - continued

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is, or the portion so classified is, accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate, joint venture other than profit or loss, and other comprehensive income are not accounted for unless such change resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in consolidated statement of profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Interests in associates and joint ventures - continued

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to consolidated statement of profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Revenue from contracts with customers - continued

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

Description of the performance obligations of Group's main sources of income in scope of HKFRS 15 are as follows:

(i) Brokerage commission income

Brokerage commission income arises from dealing services for securities and futures. Commission income is recognised at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Revenue from contracts with customers - continued

(ii) Underwriting and placing fee income

Underwriting and placing fee income arises from fund raising activities in equity and debt capital market, and financial products arrangement services. Such transaction revenues are recognised at a point in time when the services of the transactions are completed under the terms of each engagement and the revenue can be measured reliably.

(iii) Management fee income

Management fee income arises from the management services for the funds at a fixed percentage per month of the net asset value of the managed accounts under management of the Group. Management fee income is recognised over time (i.e. the fund life) based on the contractual terms specified in the underlying investment management agreements, since the customer (i.e. the managed fund) simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs and the fee rate and the capital contribution of the fund which are used to determine the management fee can be reliably measured.

(iv) Advisory, consultancy and other fee income

Advisory, consultancy and other fee income arises from financial services provided by the Group and is recognised at a point in time when the services for the transactions are completed under the terms of each engagement.

(v) Insurance referral income and commission income

Insurance referral income and commission income are recognised at point in time when the relevant services are rendered.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Revenue from contracts with customers - continued

Principal versus agent

When another party is involved in providing services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified services itself (i.e. the Group is a principal) or to arrange for those services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified service before that service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified service by another party. In this case, the Group does not control the specified service provided by another party before that service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified services to be provided by the other party.

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Leases - continued

The Group as a lessee - continued

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of motor vehicles/ machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 **Significant accounting policies** - continued

Leases - continued

The Group as a lessee - continued

Lease liabilities - continued

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Leases - continued

The Group as a lessee - continued

Lease modifications - continued

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Foreign currencies - continued

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to consolidated statement of profit or loss and other comprehensive income.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in consolidated statement of profit or loss and other comprehensive income. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to consolidated statement of profit or loss and other comprehensive income.

Employee benefits

Salaries, bonuses, annual leave, contributions to defined contribution retirement plans and other staff benefit are accrued in the period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds and Social Security Fund as required and the Hong Kong Mandatory Provident Fund Scheme Ordinance and the Interim Measure on the Administration of the Investment of National Social Security Fund respectively, are recognised as an expense.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 **Significant accounting policies** - continued

Taxation - continued

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in consolidated statement of profit or loss and other comprehensive income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated statement of profit or loss.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill - continued

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill - continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Cash and cash equivalents

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

Government grants

Government grants is not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit- impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "revenue" line item.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment assessment under HKFRS 9 (including accounts receivable, Cash held on behalf of customers, Cash and bank, loan and advances to customers, repurchase agreements and deposits and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

ECL is measured based on the probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD"). Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights, as well as depends on stage of the asset:

Stage 1: ECL for a financial instrument is measured at an amount equal to 12-month ECL if the credit risk has not increased significantly since initial recognition. A provision for twelve-month ECL is required.

Stage 2: If the credit risk has increased significantly since initial recognition, but is not yet deemed to be credit-impaired, ECL for a financial instrument is measured at an amount equal to the lifetime ECL. A provision for life-time ECL is required.

Stage 3: If the financial instrument is credit-impaired, loss allowance for a financial instrument is measured at an amount equal to the lifetime ECL. A provision for life-time ECL is required.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

According to HKFRS9, when determining whether the credit risk of a financial asset has increased significantly since initial recognition, reasonable and supportable information that is relevant and available without undue cost or effort should be considered, including forward looking factors. The following information is taken into account when assessing whether credit risk has increased significantly:

- existing or forecasted adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Definition of default

In particular, The Group's ECL framework is leveraged on the ECL methodology of the Head Office, China Merchants Bank, and calculation of ECL is based on PD, LGD and EAD components as well as forward looking factors. Based on the Head Office's ECL framework, staging criteria of an asset are based on the following factors:

- Number of days past due: If overdue more than 30 days, the asset would be classified as Stage 2; If overdue more than 90 days, the financial asset's classification would be Stage 3;
- Other indicators: if risk has deteriorated, manual judgment can be exercised for classifying the asset as Stage 2 or 3; watchlist accounts would be classified as Stage 2; problems on debtor's ability to repay or execute collaterals to repay would fall under stage 3;
- The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

Account Receivables

According to HKFRS 15 Revenue from Contracts with Customers, trade receivables can be grouped/segregated based on different criteria, and below are some examples:

- geographical region
- product type
- customer rating
- collateral or trade credit insurance
- type of customer

The Group uses provision matrix to calculate ECL for the accounts receivable. The provision rates are based on aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

Write-off Policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to recovery action under The Group's recovery procedures, taking into account legal advice where appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial liabilities and equity - continued

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 under permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - continued

3.2 Significant accounting policies - continued

Financial instruments - continued

Financial liabilities and equity - continued

Financial liabilities at amortised cost

Financial liabilities including bank and other borrowings, notes payable, accounts payable, other payables, loans from and amount due to immediate holding company are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. PRIOR YEAR ADJUSTMENT

In preparing the consolidated financial statements of the Group for the year ended 31 December 2020, the directors of the Company have identified in the consolidated financial statements for the year ended 31 December 2019 that the non-controlling interests portion of certain investments in funds in which the Group acts as general partners could not meet the definition of equity instruments as set out in HKAS 32 "Financial Instruments: Presentation" issued by the HKICPA ("HKAS 32"), and therefore should have been classified as financial liabilities at fair value through profit or loss in accordance with HKAS 32 as at 31 December 2019 and 1 January 2019.

The effects of the prior year adjustment described above on the consolidated financial position of the Group as at 31 December 2019 and 1 January 2019 by line item are summarised as follows:

	As previously reported HK$	Adjustment HK$	As restated HK$
Consolidated statement of financial position as at 31 December 2019			
Non-current liabilities			
Financial liabilities at fair value through profit or loss	2,934,140,390	197,200,123	3,131,340,513
Non-controlling interests	284,457,598	(197,200,123)	87,257,475
Consolidated statement of financial position as at 1 January 2019			
Non-current liabilities			
Financial liabilities at fair value through profit or loss	2,821,879,544	15,661,400	2,837,540,944
Non-controlling interests	211,425,317	(15,661,400)	195,763,917

The prior year adjustment did not result in a material impact on the consolidated results of the Group for the year ended 31 December 2019.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurement of financial assets at fair value through profit or loss

Certain of the Group's financial assets including unlisted investment funds, unlisted equity securities, asset management scheme, structured loans, and unlisted debts instruments are measured at fair values with fair values being determined based on unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Details are set out in note 44.

Determining ECL for financial assets measured at amortised cost

The Group estimates ECL for financial assets which are subject to impairment under HKFRS 9. The risk parameters are based on the historical loss experience taking into consideration forward-looking information that is reasonable and supportable available without undue cost or effort. At every reporting date, the historical risk parameters are reassessed and changes in the forward-looking information are considered.

ECL is sensitive to changes in estimates. The information about ECL for financial assets measured at amortised cost are disclosed in note 44.

6. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	2020 HK$	2019 HK$
Non-current assets		
Property, plant and equipment	40,050,181	39,112,926
Right-of-use assets	237,753,172	183,470,730
Intangible assets	7,669,092	3,012,005
Investments in subsidiaries (note 15)	2,107,125,601	1,831,746,341
Subordinated loan to a subsidiary	280,000,000	280,000,000
Financial assets at fair value through profit or loss	558,740,882	445,851,757
Deferred tax assets	115,933	2,733,587
	3,231,454,861	2,785,927,346
Current assets		
Amount due from the immediate holding company	-	41,414,479
Subordinated loan and loans to subsidiaries	6,432,675,704	3,955,870,693
Prepayments and other receivables	49,605,967	216,914,000
Amounts due from subsidiaries	2,071,907,715	2,048,301,004
Derivative financial assets	-	3,030,655
Financial assets at fair value through profit or loss	726,353,767	389,487,276
Tax receivable	-	4,570,853
Cash and bank	373,718,942	467,710,516
	9,654,262,095	7,127,299,476
Current liabilities		
Accounts and other payables	315,449,844	226,411,020
Amount due to the immediate holding company	6,480,632	-
Amounts due to subsidiaries	211,162,316	422,719,787
Bank borrowings	4,361,284,272	1,537,907,791
Tax payable	5,883,673	-
Loan from immediate holding company	3,763,445,990	3,930,775,026
Financial liabilities at fair value through profit or loss	-	957,836
Lease liabilities	71,062,265	44,503,129
	8,734,768,992	6,163,274,589
Net current assets	919,493,103	964,024,887

6. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION - continued

	2020 HK$	2019 HK$
Non-current liabilities		
Accounts and other payables	120,359,600	-
Deferred tax liabilities	3,863,863	2,347,763
Lease liabilities	180,742,901	141,847,870
	304,966,364	144,195,633
Net assets	3,845,981,600	3,605,756,600
Capital and reserves		
Share capital (note 39)	3,265,793,396	3,265,793,396
Reserves (note 40)	580,188,204	339,963,204
	3,845,981,600	3,605,756,600

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

Zhao Ju
DIRECTOR

Xu Xiaosong
DIRECTOR

7. REVENUE

The Group, through its subsidiaries, provides a range of financial services including financial and investment advisory, securities and futures brokerage, placing, underwriting and sponsor services, fund management, investment holding and financing services.

The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2020 HK$	2019 HK$
Brokerage commission income	598,531,765	210,549,295
Net realised gain on financial instruments at fair value through profit or loss	325,153,385	281,380,248
Net unrealised loss on financial instruments at fair value through profit or loss	(256,534,784)	(289,783,342)
Underwriting and placing fee income	434,623,562	293,018,231
Management fee income	657,566,274	682,581,665
Dividend income	41,179,615	16,860,953
Advisory, consultancy and other fee income	185,971,362	469,179,097
Interest income from financing services	609,881,583	350,125,993
Insurance referral income and commission income	54,772,564	105,475,136
	2,651,145,326	2,119,387,276

8. OTHER INCOME

	2020 HK$	2019 HK$
Other interest income		
- Ultimate holding company	23,629,264	57,380,742
- Other financial institutions	27,679,429	14,598,674
- Affiliated entities	2,246,308	1,868,287
Others	18,595,811	4,544,053
	72,150,812	78,391,756

9. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2020 HK$	2019 HK$
Staff costs (including directors' remuneration)		
- Contributions to retirement benefit scheme	8,344,892	11,102,999
- Salaries, wages and other benefits	1,368,622,867	846,522,068
	1,376,967,759	857,625,067
Finance costs		
- Interest on loans from the ultimate holding company	4,567,403	4,589,649
- Interest on loans from the immediate holding company	30,166,468	36,519,165
- Interest on other borrowings	169,688,440	146,463,435
- Interest on lease liabilities	5,467,574	9,675,788
	209,889,885	197,248,037
Auditor's remuneration	6,185,374	5,479,806
Depreciation (note 13)	27,798,708	26,250,130
Amortisation of intangible assets (note 18)	824,044	1,230,347
Loss on disposal of property, plant and equipment	-	10,737
Depreciation charge for right-of-use assets (note 14)	66,318,029	60,932,961

10. INCOME TAX

	2020 HK$	2019 HK$
Current tax:		
Hong Kong	76,755,020	65,727,643
Singapore	-	1,887,149
PRC Enterprise Income Tax	106,649,337	122,202,498
	183,404,357	189,817,290
Overprovision in prior years:		
Hong Kong	(490,415)	(3,272,582)
Singapore	(2,731,412)	-
Deferred tax		
Current year	117,645,613	(8,256,728)
	297,828,143	178,287,980

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

10. INCOME TAX - continued

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK$	2019 HK$
Profit before taxation	1,724,747,969	1,084,705,163
Tax at the income tax rate of 16.5% (2019: 16.5%)	284,583,415	178,976,352
Tax effect of expenses not deductible for tax purpose	12,226,145	21,312,594
Tax effect of income not taxable for tax purpose	(83,863,122)	(51,242,172)
Over-provision in respect of prior years	(3,221,827)	(3,272,582)
Tax effect of tax losses not recognised	7,194,823	19,177,053
Utilisation of tax losses previously not recognised	(46,085,755)	(31,479,573)
Effect of different tax rates of subsidiaries operating in other jurisdictions	126,994,464	44,816,308
Income tax	297,828,143	178,287,980

11. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to the Hong Kong Companies Ordinance, is as follows:

	2020 HK$	2019 HK$
Fees	1,500,000	-
Other emoluments (note)	26,806,780	22,053,381

Note: The directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

12. DIVIDEND

	2020 HK$	2019 HK$
Dividends for ordinary shareholders of the Company recognised as distribution during the year: 2019 Final - HK$0.1223 cents per share (2019: 2018 Final - HK$0.054 cents per share)	262,990,000	116,280,000

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HK$0.192 (2019: final dividend in respect of the year ended 31 December 2019 of HK$0.1223) per ordinary share, in aggregate amount of HK$412,930,000 (2019: HK$262,990,000) has been proposed and subjected to the approval by ordinary shareholders in the Annual General Meeting.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$	Computer and equipment HK$	Furniture and other property, plant and equipment HK$	Motor vehicles HK$	Total HK$
COST					
At 1 January 2019	30,762,131	57,495,689	11,327,719	3,073,452	102,658,991
ADDITIONS					
Additions	3,912,884	15,516,903	575,897	406,408	20,412,092
Disposals	-	(176,600)	(36,650)	(439,052)	(652,302)
Exchange adjustments	(41,873)	(47,688)	(8,720)	(18,175)	(116,456)
At 31 December 2019	34,633,142	72,788,304	11,858,246	3,022,633	122,302,325
Additions	11,335,890	14,220,907	413,587	-	25,970,384
Exchange adjustments	284,611	347,081	176,497	53,787	861,976
At 31 December 2020	46,253,643	87,356,292	12,448,330	3,076,420	149,134,685
DEPRECIATION					
At 1 January 2019	10,439,298	35,736,819	4,009,692	2,166,380	52,352,189
Provided for the year	10,656,720	13,291,864	1,936,136	365,410	26,250,130
Eliminated on disposals	-	(176,600)	(25,913)	(439,052)	(641,565)
Exchange adjustments	(38,422)	(144,959)	90,122	(7,948)	(101,207)
At 31 December 2019	21,057,596	48,707,124	6,010,037	2,084,790	77,859,547
Provided for the year	11,370,194	13,858,799	2,044,161	525,554	27,798,708
Exchange adjustments	156,534	204,651	59,509	31,355	452,049
At 31 December 2020	32,584,324	62,770,574	8,113,707	2,641,699	106,110,304
CARRYING VALUES					
At 31 December 2020	13,669,319	24,585,718	4,334,623	434,721	43,024,381
At 31 December 2019	13,575,546	24,081,180	5,848,209	937,843	44,442,778

14. RIGHT-OF-USE ASSETS

	Leased properties HK$	Office equipment HK$	Total HK$
As at 1 January 2019	246,819,480	4,468,521	251,288,001
Additions	-	7,716,632	7,716,632
Depreciation expense	(58,309,330)	(2,623,631)	(60,932,961)
Exchange adjustments	744,781	-	744,781
As at 31 December 2019	189,254,931	9,561,522	198,816,453
Additions	80,116,186	-	80,116,186
Lease Modification	48,927,165	(962,612)	47,964,553
Depreciation expense	(64,946,176)	(1,371,853)	(66,318,029)
Exchange adjustments	581,764	-	581,764
As at 31 December 2020	253,933,870	7,227,057	261,160,927

For both years, the Group leases various offices and equipment for its operations. Lease contracts are entered into for fixed term of 3 months to 5 years, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has extension options in a number of leases for the leased offices. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

15. INVESTMENTS IN SUBSIDIARIES

	2020 HK$	2019 HK$
Unlisted shares, at cost	2,178,134,641	1,878,134,641
Less: impairment loss	(71,009,040)	(46,388,300)
	2,107,125,601	1,831,746,341

Details of the principal subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation/ registration and business	Paid up issued/registered capital 2020	2019	Proportion ownership and voting power held by the Company	Principal activity
招银金融控股(深圳)有限公司	PRC	HK$78,000,000	HK$78,000,000	100%	Investment holding
CMB International Securities Limited	Hong Kong	HK$1,425,147,631	HK$1,125,147,631	100%	Securities broking
CMB International Capital Limited	Hong Kong	HK$30,000,000	HK$30,000,000	100%	Underwriting, financial and compliance advisory
CMB International Asset Management Limited	Hong Kong	HK$56,000,000	HK$56,000,000	100%	Fund management and investment advisory
CMB International Finance Limited	Hong Kong	HK$5,000,000	HK$5,000,000	100%	Money lending
CMB International Investment Management Limited (Note)	British Virgin Islands	US$1	US$1	100%	Investment holding
Yat Lung Securities Limited	Hong Kong	HK$7,000,000	HK$7,000,000	100%	Securities broking
CMBI (Singapore) Pte. Limited	Singapore	SGD5,000,000	SGD5,000,000	100%[1]	Securities broking and asset management
CMB International Insurance Consultancy Co. Limited	Hong Kong	HK$5,000,000	HK$5,000,000	100%[1]	Insurance agency
CMB International Consultancy Limited	Hong Kong	HK$500,000	HK$500,000	100%[1]	Insurance agency

Note: No audited financial statements were issued for these subsidiaries as they are not required to issue financial statements under the statutory requirements of their place of incorporation.

(1) Subsidiaries held indirectly.

16. INTERESTS IN ASSOCIATES

	2020 HK$	2019 HK$
Cost of unlisted investment in associates	2,051,383,508	587,920,010
Share of post-acquisition profits and other comprehensive income and exchange difference	751,312,006	106,191,782
	2,802,695,514	694,111,792

Details of the associates at the end of the reporting period are as follows:

Name of entity	Place of incorporation and business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		2020	2019	2020	2019	
深圳市招銀壹號股權投資合夥企業（有限合夥）	PRC	0.33%	0.33%	Note	Note	Investment
深圳市招銀叁號股權投資合夥企業（有限合夥）	PRC	1.00%	1.00%	Note	Note	Investment
深圳市招銀肆號股權投資合夥企業（有限合夥）	PRC	0.33%	0.33%	Note	Note	Investment
招銀共享貳號（深圳）合夥企業（有限合夥）	PRC	0.03%	0.03%	Note	Note	Investment
招銀成長捌號投資（深圳）合夥企業（有限合夥）	PRC	0.03%	0.03%	Note	Note	Investment
深圳市招銀一號創新創業投資合夥企業（有限合夥）	PRC	1.00%	1.00%	Note	Note	Investment
招銀成長拾叁號投資（深圳）合夥企業（有限合夥）	PRC	7.69%	7.69%	Note	Note	Investment
北京中交招銀路橋基金合夥企業（有限合夥）	PRC	0.003%	0.003%	Note	Note	Investment
江蘇招銀現代產業股權投資基金一期（有限合夥）	PRC	0.17%	0.17%	Note	Note	Investment
深圳招銀電信新趨勢股權投資基金合夥企業（有限合夥）	PRC	0.03%	0.03%	Note	Note	Investment
湖北長江招銀產業基金合夥企業（有限合夥）	PRC	0.05%	0.04%	Note	Note	Investment
新疆招銀新投政府與社會資本合作基金一期有限合夥企業	PRC	0.03%	0.03%	Note	Note	Investment
湖北長江招銀動力投資合夥企業（有限合夥）	PRC	3.27%	3.27%	Note	Note	Investment
寧波梅山保稅港區南舍雅春投資管理合夥企業(有限合夥)	PRC	0%	13.23%	Note	Note	Investment

16. INTERESTS IN ASSOCIATES - continued

Name of entity	Place of incorporation and business	Proportion of ownership interest held by the Group 2020	Proportion of ownership interest held by the Group 2019	Proportion of voting rights held by the Group 2020	Proportion of voting rights held by the Group 2019	Principal activity
南京招銀現代產業貳號股權投資基金（有限合夥）	PRC	0.08%	0.08%	Note	Note	Investment
上海浦東人民招銀文化產業股權投資基金合夥企業（有限合夥）	PRC	0.33%	0.55%	Note	Note	Investment
三峽招銀（湖北）清潔能源產業基金合夥企業（有限合夥）	PRC	0.65%	0.58%	Note	Note	Investment
湖北長江招銀文創股權投資基金合夥企業（有限合夥）	PRC	0.60%	0.06%	Note	Note	Investment
廣州市招信五暨股權投資合夥企業（有限合夥）	PRC	15.33%	N/A	Note	N/A	Investment
南京韶華壹號股權投資（有限合夥）	PRC	19.58%	N/A	Note	N/A	Investment
南京韶華貳號股權投資（有限合夥）	PRC	19.58%	N/A	Note	N/A	Investment
深圳市招銀雲亭成長股權投資基金合夥企業（有限合夥）	PRC	11.83%	N/A	Note	N/A	Investment
湖北招贏醫聯新醫療產業投資基金合夥企業（有限合夥）	PRC	1.43%	N/A	Note	N/A	Investment
重慶市招贏朗曜成長二期股權投資基金合夥企業（有限合夥）	PRC	12.67%	N/A	Note	N/A	Investment
重慶市招銀永祥股權投資基金合夥企業（有限合夥）	PRC	1.20%	N/A	Note	N/A	Investment
南京甄遠貳號股權投資合夥企業（有限合夥）	PRC	8.33%	N/A	Note	N/A	Investment
招贏騰康康健（湖北）振興股權投資合夥企業（有限合夥）	PRC	2.44%	N/A	Note	N/A	Investment
南京志合壹號股權投資合夥企業（有限合夥）	PRC	5.00%	N/A	Note	N/A	Investment
CMBI SPC-China Sector Focus Fund SP	Cayman Islands	22.62%	8.00%	Note	Note	Investment
CMBI SPC-CMBI Multi-tranche Bond Fund SP	Cayman Islands	22.63%	16.00%	Note	Note	Investment
EverGreen Serie C Limited Partnership	Cayman Islands	25.86%	25.86%	Note	Note	Investment
CMBI SPC-Asian Bond Fund SP	Cayman Islands	27.38%	18.00%	Note	Note	Investment
Greater China Select Equity Fund Segregated Portfolio	Cayman Islands	26.77%	N/A	Note	N/A	Investment
CMBI Private Equity Series SPC - Robotics & AI Fund I SP	Cayman Islands	3.57%	3.57%	Note	Note	Investment

Note: The Group acted as general partner and limited partner and has significant influence even though it holds less than 20% of the voting rights of the entity.

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

16. INTERESTS IN ASSOCIATES - continued

湖北長江招銀動力投資合夥企業 (有限合夥) ("長江招銀動力")

	2020 HK$	2019 HK$
Current assets	5,908,793	11,468,079
Non-current assets	20,382,965,903	7,409,001,481
Current liabilities	(35,559)	-
Revenue	14,129,148,411	2,192,741,402
Net profit	14,122,731,616	2,192,366,909
Total comprehensive income	14,122,731,616	2,192,366,909

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2020 HK$	2019 HK$
Net assets of 長江招銀動力	20,388,839,137	7,420,469,560
The Group's share of net assets of 長江招銀動力	696,414,612	254,803,097
The Group's share of profit	496,020,336	75,829,743
The Group's share of total comprehensive income	496,020,336	75,829,743

Aggregate information of associates that are not individually material:

	2020 HK$	2019 HK$
The Group's share of profit	66,400,276	115,957,048
The Group's share of total comprehensive income	66,400,276	115,957,048

17. INTERESTS IN JOINT VENTURES

	2020 HK$	2019 HK$
Cost of investment in joint ventures	816,359,197	1,324,285,696
Share of post-acquisition profits and other comprehensive income and exchange difference	1,434,257,883	442,859,543
	2,250,617,080	1,767,145,239

Details of the joint ventures at the end of the reporting period are as follows:

Name of entity	Place of incorporation and business	Proportion of ownership interest held by the Group 2020	Proportion of ownership interest held by the Group 2019	Proportion of voting rights held by the Group 2020	Proportion of voting rights held by the Group 2019	Principal activity
深圳市招銀協同基金管理有限公司	PRC	51%	51%	51%	51%	Investment
招銀前海金融資產交易中心有限公司	PRC	49%	49%	49%	49%	Investment
深圳市協同禾盛並購基金一號合夥企業（有限合夥）	PRC	5.16%	5.16%	Note	Note	Investment
新疆高新招銀基金有限公司	PRC	90%	90%	90%	90%	Investment
中車招銀（天津）股權投資基金管理有限公司	PRC	49%	49%	49%	49%	Investment
長城招銀資產管理（深圳）有限公司	PRC	49%	49%	49%	49%	Investment
深圳市招銀朗曜成長股權投資基金合夥企業（有限合夥）	PRC	17.33%	17.33%	Note	Note	Investment
深圳市深安聚匯實業有限公司	PRC	50%	50%	50%	50%	Investment
Pleiades Ventures	Cayman Islands	70%	70%	70%	70%	Investment

Note: The Group acted as general partner and limited partner and has significant influence even though it holds less than 20% of the voting rights of the entity.

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

17. INTERESTS IN JOINT VENTURES - continued

Summarised financial information in respect of each of the Group's material joint ventures is set out below.

深圳市招銀朗曜成長股權投資基金合夥企業 (有限合夥) ("招銀朗曜")

	2020 HK$	2019 HK$
Current assets	550,961,921	261,133,916
Non-current assets	11,545,274,757	8,627,341,820
Current liabilities	(244,285)	(58,841)
Revenue	5,220,500,415	1,429,661,498
Net profit	5,115,787,151	1,307,722,376
Total comprehensive income	5,115,787,151	1,307,722,376

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements:

	2020 HK$	2019 HK$
Net assets of 招銀朗曜	12,095,992,393	8,888,416,895
The Group's share of net assets of 招銀朗曜	2,157,862,999	1,540,658,928
The Group's share of profit	844,269,554	304,375,488
The Group's share of total comprehensive income	844,269,554	304,375,488

Aggregate information of joint ventures that are not individually material:

	2020 HK$	2019 HK$
The Group's share of (loss) profit	(25,582,385)	2,207,408
The Group's share of total comprehensive (expense) income	(25,582,385)	2,207,408

18. INTANGIBLE ASSETS

	Website HK$	Software HK$	Trading rights HK$	Total HK$
COST				
As at 1 January 2019	1,133,519	3,238,585	2,479,560	6,851,664
Additions	-	1,146,018	2,000,000	3,146,018
Exchange Adjustment	-	162,381	-	162,381
As at 31 December 2019	1,133,519	4,546,984	4,479,560	10,160,063
Additions	151,685	5,123,658	775,241	6,050,584
Exchange Adjustment	-	(124,103)	178,839	54,736
As at 31 December 2020	1,285,204	9,546,539	5,433,640	16,265,383
AMORTISATION				
As at 1 January 2019	698,061	368,841	-	1,066,902
Provided for the year	59,043	1,171,304	-	1,230,347
Exchange Adjustment	-	(10,597)	-	(10,597)
As at 31 December 2019	757,104	1,529,548	-	2,286,652
Provided for the year	51,128	772,916	-	824,044
Exchange Adjustment	-	51,955	-	51,955
As at 31 December 2020	808,232	2,354,419	-	3,162,651
NET BOOK VALUE				
As at 31 December 2020	476,972	7,192,120	5,433,640	13,102,732
As at 31 December 2019	376,415	3,017,436	4,479,560	7,873,411

19. LOANS AND ADVANCES TO CUSTOMERS

	2020 HK$	2019 HK$
Fixed-rate loans receivable	2,718,992,671	2,285,327,492
Floating-rate loans receivable	1,938,118,547	2,584,358,003
	4,657,111,218	4,869,685,495
Less: Allowance for credit losses	(424,102,735)	(262,070,256)
	4,233,008,483	4,607,615,239
Analysed for reporting purpose as:		
Current	1,700,157,808	2,021,356,134
Non-current	2,532,850,675	2,586,259,105
	4,233,008,483	4,607,615,239

19. LOANS AND ADVANCES TO CUSTOMERS - continued

There was no overdue loans and advances as at 31 December 2020 and 2019. Included in the carrying amount of loans and advances as at 31 December 2020 is accumulated impairment losses of HK$424,102,735 (2019: HK$262,070,256). Details of impairment assessment for the year ended 31 December 2020 and 2019 are set out in note 44.

At 31 December 2020, loans and advances are secured by cash of HK$Nil (2019: HK$816,007,154) and other collaterals, includes equity securities, debt securities and properties etc. approximately of HK$25,522,231,643 (2019: HK$13,218,211,366).

The fixed-rate loans receivable carry interest ranging from 4.75% to 12.99% (2019: 4.75% to 12%) per annum. The floating-rate loans receivable carry interest ranging from London Interbank Offered Rate ("LIBOR") plus 2.4% to LIBOR + 7.5% (2019: LIBOR + 2.4% to LIBOR + 6.75%) per annum.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$	2019 HK$
Financial assets mandatorily measured at FVTPL:		
- Listed investment funds	27,529,264	7,391,145
- Unlisted investment funds	447,354,340	76,137,812
- Listed debt instruments	4,085,929,480	3,897,230,832
- Unlisted debt instruments	95,143,635	55,892,739
- Listed equity securities	821,882,629	721,768,732
- Unlisted equity securities	2,491,898,285	1,553,095,096
- Asset management scheme	64,832,695	187,001,550
- Wealth management products	1,018,939,077	1,158,155,452
- Structured loans	155,546,474	389,777,485
	9,209,055,879	8,046,450,843
Analysed for reporting purpose as:		
Current	6,381,307,742	6,026,910,824
Non-current	2,827,748,137	2,019,540,019
	9,209,055,879	8,046,450,843
Derivative financial assets:		
Forward	-	3,030,655

21. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK$	2019 HK$
At fair value:		
Unlisted equity securities	74,995,842	-

The Group designated the investment in 招商信諾資產管理有限公司 as equity instruments 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 year ended 31 December 2020, and there were no transfers of any cumulative gain or loss within equity relating to this investment.

22. DEBT INSTRUMENTS AT AMORTISED COST

	2020 HK$	2019 HK$
Listed debt instruments	212,964,613	-
Unlisted debt instruments	1,000,626,730	-
	1,213,591,343	-
Less: Allowance for credit losses	(119,117,111)	-
	1,094,474,232	-
Analysis for reporting purpose as:		
Current	403,146,690	-
Non-current	691,327,542	-
	1,094,474,232	-

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$	2019 HK$
Statutory deposits and deposit with stock exchange and clearing houses	67,687,633	34,213,105
Prepayments	24,795,707	23,588,392
Deposits	77,185,001	46,013,577
Other receivables	99,344,805	122,810,163
	269,013,146	226,625,237
Less: Allowance for credit losses	(2,524,321)	(5,071,458)
	266,488,825	221,553,779
Analysed for reporting purposes as:		
Current	142,102,771	167,582,535
Non-current	124,386,054	53,971,244
	266,488,825	221,553,779

24. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 HK$	2019 HK$
Deferred tax assets	114,937,631	52,944,013
Deferred tax liabilities	(199,918,371)	(12,377,309)
	(84,980,740)	40,566,704

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$	Revaluation of investments HK$	Impairment allowances HK$	Staff cost HK$	Tax loss HK$	Equity pick-up of structured entities HK$	Total HK$
At 1 January 2019	(1,790,182)	(14,686,578)	29,006,656	19,618,751	126,257	635,814	32,910,718
(Charged) credit to profit or loss	(557,581)	29,056,897	18,011,174	19,592,147	-	(57,845,909)	8,256,728
Exchange difference	-	(121,045)	(638,599)	(688,204)	(19,635)	866,741	(600,742)
Balance at 31 December 2019	(2,347,763)	14,249,274	46,379,231	38,522,694	106,622	(56,343,354)	40,566,704
(Charged) credit to profit or loss	(1,524,093)	(20,732,203)	45,513,531	31,457,764	(106,622)	(172,253,990)	(117,645,613)
Exchange difference	-	(253,824)	(259,699)	4,016,590	-	(11,404,898)	(7,901,831)
Balance at 31 December 2020	(3,871,856)	(6,736,753)	91,633,063	73,997,048	-	(240,002,242)	(84,980,740)

At the end of the reporting period, the Group has unused tax losses of HK$270.7 million (31 December 2019: HK$517.1 million) available for offset against future profits. Nil deferred tax asset has been recognised in respect of such losses in both years due to the unpredictability of future profit streams.

25. ACCOUNTS RECEIVABLE

	2020 HK$	2019 HK$
Accounts receivable from:		
- Cash clients	759,382,749	261,844,138
- Margin clients	3,369,179,115	2,227,222,142
- Brokers and clearing house	296,391,320	416,119,174
- Others (note)	532,559,071	693,962,396
	4,957,512,255	3,599,147,850
Less: Allowance for credit losses	(21,420,515)	(34,846,882)
	4,936,091,740	3,564,300,968

Note: The amount represents the fees receivable from corporate finance and asset management for both year ended 31 December 2020 and 31 December 2019.

25. ACCOUNTS RECEIVABLE - continued

Accounts receivable from cash clients, brokers and clearing house arising from the business of dealing in securities are repayable on demand subsequent to settlement date. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date and accounts receivable arising from the business of dealing in futures and securities trading in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are one day after trade date. Normal settlement terms of accounts receivable from corporate finance and asset management service are determined in accordance with the contract terms, usually within one month after the services are provided.

Margin loans due from margin clients are repayable on demand and bear variable interest at commercial rate. Margin clients are required to pledge securities as collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. At 31 December 2020, the total market values of securities pledged as collateral in respect of loans to margin clients were approximately HK$23,030,105,774 (2019: HK$6,260,967,915).

Included in accounts receivables to clients arising from the business of dealing in securities are amount due from the ultimate holding company of HK$18,226,559 (2019: HK$5,513,929) and amount due from an affiliated entity of HK$81,053,772 (2019: HK$17,502,939).

The Group has provided fully for all receivables over one year because historical experience is such that receivables that are past due beyond one year are generally not recoverable.

Movements in the allowance for doubtful debts are as follows:

	2020 HK$	2019 HK$
At 1 January	34,846,882	23,192,385
Recognition of impairment losses on receivables	13,040,186	14,763,076
Reversal of impairment losses for amounts recovered during the year	(17,599,628)	(3,108,579)
Written off	(8,896,216)	-
Exchange difference	29,291	-
At 31 December	21,420,515	34,846,882

Details of impairment assessment of amounts receivables for the year ended 31 December 2020 are set out in note 44.

26. REPURCHASE AGREEMENTS

	2020 HK$	2019 HK$
Gross receivables from repurchase agreements	589,402,444	23,254,359
Less: Allowance for credit losses	(495,239)	(16,712)
	588,907,205	23,237,647

As at 31 December 2020, the fair value of collaterals allowed to be re-pledged for the outstanding receivables was HK$1,161,068,063 (2019: HK$23,235,175).

27. CASH HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated clients' accounts with licensed banks to hold clients' monies arising from normal business transactions in connection with the Group's brokerage activities. The cash held on behalf of clients is restricted and governed by the Securities and Futures (Client Money) Rules (Chapter 571) of the laws of Hong Kong under the Securities and Futures Ordinance. The Group has recognised the corresponding clients' account payable to respective clients.

Included in Cash held on behalf of customers are amounts deposited with the ultimate holding company of HK$3,792,675,231 (2019: HK$755,064,928) and amount due from an affiliated entity of HK$733,149,263 (2019: HK$126,507,536).

28. CASH AND BANK

	2020 HK$	2019 HK$
Cash at bank and other financial institutions		
- Ultimate holding company	1,123,726,997	1,925,120,743
- Other commercial banks	1,849,011,611	833,298,719
- Affiliated entity	41,956,779	28,923,598
- Other financial institutions	206,319,117	83,134,708
	3,221,014,504	2,870,477,768
Less: Allowance for credit losses	(12,139,991)	(8,941,228)
	3,208,874,513	2,861,536,540

Bank balances carry interest at market rates which range from 0.01% to 3.35% (31 December 2019: 0.01% to 4.25%) per annum.

Included in the bank balances are bank deposits of HK$155,034,000 (2019: HK$512,026,120) with original maturity date for more than 3 months.

29. ACCOUNTS PAYABLE

	2020 HK$	2019 HK$
Accounts payable to:		
- Clients	12,167,771,461	4,951,887,084
- Brokers and clearing house	1,862,621,682	1,407,237,824
- Others	5,795,804	3,691,325
	14,036,188,947	6,362,816,233

The accounts payable arising from the business of dealing in securities and futures are required to be settled on the settlement date determined under the relevant market practices.

Included in accounts payable to clients arising from the business of dealing in securities are amount due to the ultimate holding company of HK$18,594,361 (2019: HK$11,086,166) and amount due to an affiliated entity of HK$101,507,484 (2019: HK$27,116,113).

30. OTHER PAYABLES AND ACCRUALS EXPENSES AND DEFERRED INCOME

The current portion of other payables and accrued expenses and deferred income are unsecured and settled within one year.

The non-current portion of other payables and accrued expenses and deferred income are unsecured and settled over one year.

The deferred income balance mainly consists of asset management fees received in advance.

31. BONDS SOLD UNDER REPURCHASE AGREEMENT

	2020 HK$	2019 HK$
Analysed by collateral type:		
Debt securities classified as financial assets at fair value through profit or loss	930,120,331	1,563,990,083

As at 31 December 2020, debt securities which are classified as financial asset at fair value through profit or loss with carrying amount of HK$1,213,365,757 (2019: HK$1,879,322,324) were sold under repurchase agreements with other financial institution. All repurchase agreements are due within 12 months from the end of the reporting period. Details of arrangement are set out in note 48.

32. LOANS FROM/AMOUNT DUE FROM/TO THE IMMEDIATE HOLDING COMPANY

Loans from immediate holding company are unsecured and expected to be settled within one year. The balance is interest bearing ranging from 1.024% to 4.1% (2019: 2.62% to 4.1%) per annum.

The amount due from/to the immediate holding company is unsecured, interest free and repayable within one year.

33. BANK AND OTHER BORROWINGS

	2020 HK$	2019 HK$
Unsecured and repayable within one year	4,361,284,272	1,537,907,791

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are 0.9% for EURO loan, 3.3% to 3.5% for CNY loans, Hong Kong Interbank Offer Rate ("HIBOR") + 0.7% to 1% for HKD loans and London Interbank Offer Rate ("LIBOR") + 0.8% to 0.9% for USD loans (2019: HIBOR + 1.3% to EURIBOR + 1.7%).

Included in bank and other borrowings (unsecured) is amount borrowed from the ultimate holding company of HK$500,000,000 (2019: HK$Nil), interest is charging at HIBOR + 0.7% in the year ended 31 December 2020.

34. DEBT SECURITIES ISSUED

	2020 HK$	2019 HK$
US$300 million medium term note to be matured in July 2021	2,325,510,000	2,336,160,000

The debt securities are issued by a wholly owned subsidiary, Legend Fortune Limited, guaranteed by the Company. The details are as follows:

2020

Debt type	Term to maturity	Date of issuance	Annual interest rate	Nominal value (US$' million)	Beginning balance (HK$' million)	Issue during the year (HK$' million)	Discount or premium amortisation (HK$' million)	Repayment for the year (HK$' million)	Exchange rate fluctuation (HK$' million)	Ending balance (HK$' million)
Medium term note	36 months	US$250M on 16 July 2018 US$50M on 27 July 2018	3M Libor + 1.28	300	2,336	-	-	-	(11)	2,325

2019

Debt type	Term to maturity	Date of issuance	Annual interest rate	Nominal value (US$' million)	Beginning balance (HK$' million)	Issue during the year (HK$' million)	Discount or premium amortisation (HK$' million)	Repayment for the year (HK$' million)	Exchange rate fluctuation (HK$' million)	Ending balance (HK$' million)
Medium term note	36 months	US$250M on 16 July 2018 US$50M on 27 July 2018	3M Libor + 1.28	300	2,349	-	-	-	(13)	2,336

34. DEBT SECURITIES ISSUED - continued

The National Development and Reform Commission approved the ultimate holding company of the Company issuance foreign debt on 9 February 2018 (Fa Gai Wai Zi [2018] No.307 entitled "Approval of 2018 Pilot Enterprise of Foreign Debt Scale Management by the National Development and Reform Commission"). A wholly owned subsidiary of the Group utilised the foreign debt scale of its ultimate holding company and issued US$250 million floating rate medium-term notes on 16 July 2018 and additional issued US$50 million on 27 July 2018, totally US$300million in Hong Kong.

35. NOTES PAYABLE

On 12 April 2019, a wholly owned subsidiary of the Group entered into a US$2,000,000,000 Guaranteed Structured Note Programme (the "Notes") to issue structured notes guaranteed by CMB International Capital Corporation Limited. The funding raised from the Notes is mainly for the operational uses. As of 31 December 2020, notes amounted to US$236,349,229 were issued with the maturity date within 1 year (2019: US$59,050,790). The interest rates for the notes issued ranged from 0.25% to 2.6% with the maturity date within 1 year (2019: 2.4% to 3%).

36. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$	2019 HK$ (Restated)
Interest rate swaps	38,200,013	34,566,329
Forward	-	957,836
Short sold securities	815,678,444	1,018,381,283
Non-controlling interests of consolidated funds	4,432,212,226	3,131,340,513
	5,286,090,683	4,185,245,961
Analysed for reporting purpose as:		
Current	873,522,919	1,053,905,448
Non-current	4,412,567,764	3,131,340,513
	5,286,090,683	4,185,245,961

Major terms of the interest rate swaps are as follows:

Notional amount	Maturity	Swaps
31 December 2020		
USD250,000,000	16 July 2021	38,200,013
31 December 2019		
USD250,000,000	16 July 2021	34,566,329

36. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - continued

Major terms of the currency forward contracts are as follows:

Notional amount	Maturity	Exchange rate
31 December 2019		
HK$200,000,000	5 October 2020	HK$7.8045: US$1

37. LEASE LIABILITIES

	2020 HK$	2019 HK$
Lease liabilities payable:		
Within one year	79,257,713	57,567,228
Within a period of more than one year but not more than two years	86,943,357	103,598,459
Within a period of more than two years but not more than five years	109,069,263	41,433,516
	275,270,333	202,599,203
Less: Amount due for settlement within 12 months shown under current liabilities	79,257,713	57,567,228
Amount due for settlement after 12 months shown under non-current liabilities	196,012,620	145,031,975

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	RMB HK$
As at 31 December 2020	31,397,647
As at 31 December 2019	16,248,204

38. OTHER LIABILITIES

Included in the other liabilities was RMB39.2 million (2019: RMB13.8 million) unpaid share capital of an investment in joint venture, 長城招銀資產管理(深圳)有限公司.

39. SHARE CAPITAL

	Number of shares	Share capital HK$
Issued and fully paid:		
As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	2,151,044,478	3,265,793,396

40. RESERVES

Movement in the Company's reserves is set out below:

	Retained profits HK$
At 1 January 2019	157,692,453
Total comprehensive income	298,550,751
Dividend paid during the year (note 12)	(116,280,000)
At 31 December 2019	339,963,204
Total comprehensive income	503,215,000
Dividend paid during the year (note 12)	(262,990,000)
At 31 December 2020	580,188,204

41. COMMITMENTS

(a) Capital commitments

	2020 HK$	2019 HK$
Capital expenditure in respect of the acquisition of equipment contracted for but not provided in the consolidated financial statements	3,667,328	1,108,121

(b) Loan commitments

	2020 HK$	2019 HK$
Loan commitments contracted for but not provided in the consolidated financial statements	1,317,789,000	614,203,649

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings HK$	Loans from immediate holding company HK$	Lease liabilities HK$	Interest payable HK$	Notes payable HK$	Debt securities issued HK$	Total HK$
At 1 January 2020	1,537,907,791	1,681,684,986	202,599,203	42,020,840	462,491,051	2,336,160,000	6,262,863,871
Financing Cash flows:							
- Borrowings raised	156,419,052,352	965,000,000	-	-	3,980,112,233	-	161,364,164,585
- Repayments of borrowings	(153,630,172,595)	(1,157,048,566)	(61,656,600)	-	(2,649,153,939)	-	(157,498,031,700)
- Interest paid	-	-	-	(225,385,818)	-	-	(225,385,818)
New leases entered	-	-	128,215,533	-	-	-	128,215,533
Interest expense	-	-	5,467,574	204,422,311	-	-	209,889,885
Exchange adjustments	34,496,724	(5,494,120)	644,623	626,450	38,658,976	(10,650,000)	58,282,653
At 31 December 2020	4,361,284,272	1,484,142,300	275,270,333	21,683,783	1,832,108,321	2,325,510,000	10,299,999,009

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES - continued

	Bank borrowings HK$	Loans from immediate holding company HK$	Lease liabilities HK$	Interest payable HK$	Notes payable HK$	Debt securities issued HK$	Total HK$
At 1 January 2019	989,762,293	1,035,808,690	251,288,001	38,575,803	-	2,349,210,000	4,664,644,787
Financing Cash flows:							
- Borrowings raised	5,919,839,264	2,675,278,967	-	-	472,491,051	-	9,067,609,282
- Repayments of borrowings	(5,366,418,135)	(2,022,457,015)	(57,150,211)	-	(10,000,000)	-	(7,456,025,361)
- interest paid	-	-	(9,675,788)	(184,011,034)	-	-	(193,686,822)
New leases entered	-	-	8,461,413	-	-	-	8,461,413
Interest expense	-	-	9,675,788	187,572,249	-	-	197,248,037
Exchange adjustments	(5,275,631)	(6,945,656)	-	(116,178)	-	(13,050,000)	(25,387,465)
At 31 December 2019	1,537,907,791	1,681,684,986	202,599,203	42,020,840	462,491,051	2,336,160,000	6,262,863,871

43. CAPITAL RISK MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. As the Group is part of another larger group, the Group's sources of additional capital and policies for distribution of excess capital may also be affected by the larger group's capital management objectives.

The Group defines "capital" as including all components of equity attributable to the shareholders of the Company. The amount of capital employed at 31 December 2020 was HKS7,446,680,015 (2019: HK$6,143,421,530).

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries engaged in securities, futures and options dealings and broking, corporate finance and advisory, and investment management which are regulated entities under the Securities and Futures Commission ("SFC").

During the year, the subsidiaries of the Group which are subject to minimum capital requirements imposed by the SFC, complied with all the minimum capital requirements.

44. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 HK$	2019 HK$ (Restated)
Financial assets		
Financial assets at fair value through profit or loss	9,209,055,879	8,046,450,843
Derivative financial assets	-	3,030,655
Equity instruments at fair value through other comprehensive income	74,995,842	-
At amortised cost	25,613,515,208	15,593,456,484
Financial liabilities		
Amortised cost	27,161,540,328	15,736,902,299
Financial liabilities at fair value through profit or loss	5,286,090,683	4,185,245,961

44. FINANCIAL INSTRUMENT - continued

Financial risk management objectives and policies

The Group's major financial instruments include debt and equity securities, fund investments, loans and advances to customers, accounts receivable, deposits and other receivables, cash and bank, cash held on behalf of customers, repurchase agreements, accounts and other payables, bonds sold under repurchase agreement, loans from and amount due to the immediate holding company and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's exposure to market risk include currency risk, interest rate risk and other price risk.

Currency risk

The majority of the Group's assets and liabilities are denominated in Hong Kong dollars ("HK$"), United States dollars ("US$") and Renminbi ("RMB"). The directors do not expect significant foreign exchange risk arising from the US$ denominated monetary items in view of the Hong Kong dollar pegged system to the US$.

In respect of balances denominated in RMB held by entities of which functioned currencies are not in RMB, the Group ensure that the net exposure is kept to an acceptable level by buying or selling non derivative forwards where necessary. The carrying amounts of those RMB denominated monetary assets and monetary liabilities at the end of the reporting period are HK$4,003,048,081 (2019: HK$4,126,832,891) and HK$4,723,161,357 (2019: HK$1,512,824,910), respectively.

Sensitivity analysis

At 31 December 2020, it is estimated that a general increase/decrease of 5% (2019: 5%) foreign exchange rates in Renminbi, with all other variables held constant, would decrease/increase the Group's total comprehensive income for the year by approximately HK$30,064,730 (2019: increase/decrease by approximately HK$109,134,833).

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting year and had been applied to the Group's exposure to currency risk for the financial instruments in existence at that date and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the next reporting year.

44. FINANCIAL INSTRUMENT - continued

Financial risk management objectives and policies - continued

Market risk - continued

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans and advances to customers. The Group currently does not have fair value hedging policy. The Group is also exposed to cash flow interest rate risk mainly from balances with banks, loans and advances to customer and bank borrowings carrying interest at prevailing market rates.

Management of the Group monitors the related interest rate exposure closely to ensure the interest rate risks are maintained at an acceptable level. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the HIBOR and LIBOR arising from the Group's respective HK$ and US$ denominated financial instruments.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for interest-bearing assets and liabilities at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2019: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2019: 100 basis points) higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2020 would decrease/increase by HK$47,486,757 (2019: decrease/increase by HK$53,221,368). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances, margin loans, loans and advances to customers and variable-rate bank borrowings.

Other price risk

The Group is exposed to price risk through its investments in debt and equity securities and investment funds classified as financial assets at fair value through profit or loss (note 20) and equity instruments at fair value through other comprehensive income (note 21).

The fair values of unlisted securities are determined using appropriate valuation technique and current market parameters. Decisions to buy or sell these investments are based on daily monitoring of the performance of individual securities compared to that of market or industry indicators as well as the Group's liquidity needs.

The sensitivity analysis below have been determined based on the exposure to price risks arising from the debt and equity securities, and fund investments at the reporting date.

If the prices of the respective investments had been 10% (2019: 10%) higher/lower, profit before tax for the year ended 31 December 2020 would increase/decrease by HK$638,213,733 (2019: increase/decrease by HK$489,153,578) and other comprehensive income for the year ended 31 December 2020 would increase/decrease by HK$7,499,584 (2019: Nil).

44. FINANCIAL INSTRUMENT - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment

As at 31 December 2020 and 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to loans and advances to customers, accounts and other receivables, debt securities and bank balances. Management monitors credit risk on an ongoing basis.

For loans and advances to customers, prior to the lending of a loan, the Group will review the credit profile of the borrower, and possible risk control procedures for the loan, to ensure that the borrower has valid repayment ability. After lending a loan, the Group assess the credit profile of each individual, debtor by analysing many factors that influence the default probability, including counterparty's profile, collateral values, business management, market information on an ongoing basis, to ensure the credit risk of the loan is under control.

Accounts receivable mainly comprise the balances with customers for trading and margin financing activities, and funds placed with the broker firms. Accounts receivable with customers arise through share purchases that the Group undertakes per customers' requests. Customers are required to have sufficient cash and settlement funding with the group prior to placing purchase orders. The relevant funding is frozen on trade day in order to minimise the Group's exposure.

In respect of the balances with customers for margin financing activities, the Group has a credit risk management process which is governed by the Group's securities dealing policies and procedures approved by the board. These processes involve reviewing and establishing limits for each margin client, monitoring procedures on margin calls and reporting procedures.

At the end of the reporting year, the Group has a concentration of credit risk as 5% and 20% (2019: 6% and 23%) of the total accounts receivable and loans and advances to customers due from the Group's largest customer and the five largest customers respectively.

The Group reviews the level of fund placed with the broker firms as well as the related concentration risk. The group carries out aging analysis on other receivables where settlement requests are sent on long outstanding items.

Majority of debt securities held by the Group are wealth management products issued by the ultimate holding company, no historical default or loss were experienced by the Group. Also, bank balances are held with the ultimate holding company and licensed banks with sound reputation. Management considers credit risk is not significant.

44. FINANCIAL INSTRUMENT - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

(a) The table below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

		External rating	12 month or lifetime ECL	2020 Gross carrying amount	2019 Gross carrying amount HK$
Financial assets at amortised costs					
Loans and advances to customers		N/A	12 month ECL	3,654,639,531	4,869,685,495
Loans and advances to customers		N/A	Lifetime ECL	1,002,471,687	-
Debt instruments at amortised cost		N/A	12 month ECL	1,213,591,343	-
Repurchase agreements		BBB+ to B-	12 month ECL	589,402,444	23,254,359
Accounts receivable	(Note)	N/A	Lifetime ECL	240,347,291	118,473,593
Accounts receivable		N/A	12 month ECL	4,717,164,964	3,480,674,257
Cash and bank		A1 to Baa2	12 month ECL	3,221,014,504	2,870,477,768
Cash held on behalf of customers		Aa2 to Baa2	12 month ECL	11,332,015,893	4,308,949,935
Deposits and other receivables		A1 to Baa1	12 month ECL	244,217,439	203,036,845

Note: For accounts receivable, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

Provision matrix - debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for accounts receivable which are assessed based on provision matrix as at 31 December 2020 within lifetime ECL (not credit impaired).

Gross carrying amount	2020 Accounts receivable HK$	2019 Accounts receivable HK$
Less than 30 days past due	78,424,888	26,384,408
31 - 60 days past due	9,579,651	23,038,200
61 - 90 days past due	10,563,860	981,976
91 - 361 days past due	135,511,324	53,332,314
Over 1 year past due	6,267,568	14,736,695
	240,347,291	118,473,593

44. FINANCIAL INSTRUMENT - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

(a) The estimated loss rates are estimated based on historical observed default rates over the expected lift of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2020, based on the provision matrix HK$2,254,673 impairment allowance was made on debtors with credit impaired for the year (2019: HK$23,659,292).

(b) The following table shows the movement in lifetime ECL that has been recognised for accounts receivables under the simplified approach.

	Lifetime ECL (not credit impaired) HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
As at 1 January 2019	-	9,102,047	9,102,047
Changes due to financial instruments recognised as at 1 January:			
- Impairment losses recognised	-	14,763,076	14,763,076
- Impairment losses reversed	-	(205,831)	(205,831)
- Write-offs	-	-	-
As at 31 December 2019	-	23,659,292	23,659,292
As at 1 January 2020	-	23,659,292	23,659,292
Changes due to financial instruments recognised as at 1 January:			
- Impairment losses recognised	-	5,091,225	5,091,225
- Impairment losses reversed	-	(17,599,628)	(17,599,628)
- Write-offs	-	(8,896,216)	(8,896,216)
As at 31 December 2020	-	2,254,673	2,254,673

The Group writes off a debtor when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings and other relevant factors.

44. FINANCIAL INSTRUMENT - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

(c) The following table shows the reconciliation of loss allowances that has been recognised for accounts receivable not under simplified approach, loan and advances to customers, cash and bank, cash held on behalf of customers, deposits and other receivables, financial assets at amortised cost and repurchase agreement.

	Accounts receivable not under simplified approach		Loan and advances to customers	Loan and advances to customers	Repurchase agreement	Cash and bank	Cash held on behalf of customers	Deposits and other receivables	Financial assets at amortised cost
	12-month ECL	Lifetime ECL (credit impaired)	12m ECL	Lifetime ECL (not credit impaired)	12m ECL	12m ECL	12m ECL	12m ECL	12m ECL
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
As at 1 January 2019	8,883,572	5,206,766	121,664,626	-	-	10,541,966	8,347,752	1,456,404	-
- Impairment losses recognised	-	-	141,173,312	-	16,712	-	1,407,525	3,615,054	-
- Impairment losses reversed	(2,902,748)	-	-	-	-	(1,600,738)	-	-	-
Exchange adjustments	-	-	(767,682)	-	-	-	-	-	-
As at 31 December 2019 and 1 January 2020	5,980,824	5,206,766	262,070,256	-	16,712	8,941,228	9,755,277	5,071,458	-
- Impairment losses recognised	2,656,435	5,292,526	57,525,401	103,853,430	478,527	3,057,324	11,794,699	-	119,117,111
- Impairment losses reversed	-	-	-	-	-	-	-	(2,437,336)	-
Exchange adjustments	-	29,291	653,648	-	-	141,439	-	(109,801)	-
As at 31 December 2020	8,637,259	10,528,583	320,249,305	103,853,430	495,239	12,139,991	21,549,976	2,524,321	119,117,111

Liquidity risk

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

The following table details the remaining contractual maturities the Group's financial liabilities at the end of the reporting period of which are based on undiscounted contractual cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

Liquidity table

	On demand or less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year	Carrying amount
	HK$	HK$	HK$	HK$	HK$
31 December 2020					
Accounts payable	14,030,393,151	5,795,796	-	-	14,036,188,947
Other payables	634,109,359	91,660,089	995,196,060	120,359,815	1,841,325,323
Loans from the immediate holding company	-	1,484,142,300	-	-	1,484,142,300
Amount due to immediate holding company	29,126,291	-	-	-	29,126,291
Debt securities issued	-	-	2,352,253,365	-	2,325,510,000
Other liabilities	-	-	-	46,464,210	46,464,210
Financial liabilities at FVTPL	873,522,919	-	-	4,412,567,764	5,286,090,683
Bank and other borrowings	4,365,837,367	-	-	-	4,361,284,272
Notes payable	-	541,696,548	1,290,411,773	-	1,832,108,321
Lease liabilities	3,372,430	10,447,183	70,057,921	200,223,146	275,270,333
Bonds sold under repurchase agreements	930,120,331	-	-	-	930,120,331
	20,866,481,848	2,133,741,916	4,707,919,119	4,779,614,935	32,447,631,011

44. FINANCIAL INSTRUMENT - continued

Financial risk management objectives and policies - continued

Liquidity risk - continued

Liquidity table - continued

	On demand or less than 1 month HK$	More than 1 month but less than 3 months HK$	More than 3 months but less than 1 year HK$	More than 1 year HK$	Carrying amount HK$
31 December 2019 (restated)					
Accounts payable	6,362,816,233	-	-	-	6,362,816,233
Other payables	1,573,859,791	-	-	-	1,573,859,791
Loan from the immediate holding company	1,681,684,986	-	-	-	1,681,684,986
Debt securities issued	-	-	-	2,468,554,987	2,336,160,000
Other liabilities	-	-	-	15,393,161	15,393,161
Financial liabilities at FVTPL	136,765,822	254,566,329	662,573,297	3,131,340,513	4,185,245,961
Bank and other borrowings	700,956,210	402,336,219	594,381,179	-	1,537,907,791
Notes payable	64,018,086	231,535,509	166,937,456	-	462,491,051
Lease liabilities	4,003,576	8,007,152	45,556,500	145,031,975	202,599,203
Bonds sold under repurchase agreements	1,563,990,083	-	-	-	1,563,990,083
	12,088,094,787	896,445,209	1,469,448,432	5,760,320,636	19,922,148,260

Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Fair value hierarchy as at 31 December 2020

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets				
Financial assets at fair value through profit or loss	4,935,341,374	2,076,218,949	2,197,495,556	9,209,055,879
Equity instruments at fair value through other comprehensive income	-	74,995,842	-	74,995,842

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	629,424,121	4,656,666,562	5,286,090,683

44. FINANCIAL INSTRUMENT - continued

Fair value measurements of financial instruments - continued

Fair value of the Group's financial assets that are measured at fair value on a recurring basis - continued

Fair value hierarchy as at 31 December 2019 (restated)

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets				
Derivative financial assets	3,030,655	-	-	3,030,655
Financial assets at fair value through profit or loss	4,490,919,629	1,844,299,085	1,711,232,129	8,046,450,843

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	1,053,905,448	3,131,340,513	4,185,245,961

Valuation technique	Significant unobservable input(s)
Listed company comparison approach (Note 1)	Discount rate on liquidity
Adjusted from latest available transaction price (Note 2)	Adjusted recent transaction price
Reported NAV (Note 3)	Adjusted net asset values
Income approach (Note 4)	Discount rate of expected cash flows
Others (Note 5)	Possibility of different scenarios occurrence

Note 1: Under the listed company comparison approach, the significant unobservable inputs used in the fair value measurement are the discount rate on liquidity of the equity instruments or the underlying investments of the investment funds, as appropriate. The fair value measurement is positively correlated to the liquidity of the underlying investments. An increase in the liquidity discount rate used in isolation would result in a decrease in the fair value, and vice versa.

Note 2: Under this approach, the fair value is determined with reference to the recent transaction price of the underlying investment, and adjusted for company specific factors as well as market movement.

Note 3: The Group has determined that the reported net asset values represent fair value of the unlisted investment funds, unless the Group consider, the net asset values calculated cannot reasonably reflect the true fair value, thus adjustment has to be made.

44. FINANCIAL INSTRUMENT - continued

Fair value measurements of financial instruments - continued

Note 4: Under the income approach, the significant unobservable inputs used in the fair value measurement are the discount rate on expected cash flow. They are derived by the implied discount rate on investment date with adjustment to the tenure as well as market movement. An increase in the discount rate used in isolation would result in an decrease in the fair value, and vice versa.

Note 5: Other techniques are based on a combination of listed company comparison approach and referenced to the agreed redemption price. Possibility of occurring in different exit scenarios are assigned, and any change of the possibility would effect on the fair value of the asset.

Reconciliation of Level 3 fair value measurements

31 December 2020

	Financial assets at fair value through profit or loss HK$	Financial liabilities at fair value through profit or loss HK$	Total HK$
Opening balance (as restated)	1,711,232,129	(3,131,340,513)	(1,420,108,384)
Gain (loss) recognised in profit or loss	92,263,369	(694,626,769)	(602,363,400)
Purchases	393,650,922	(1,440,109,048)	(1,046,458,126)
Disposals	(149,231,732)	870,701,953	721,470,221
Transfer to Level 3	298,814,069	-	298,814,069
Transfer out of Level 3	(135,501,439)	-	(135,501,439)
Exchange difference	(13,731,762)	(261,292,185)	(275,023,947)
Closing balance	2,197,495,556	(4,656,666,562)	(2,459,171,006)

31 December 2019 (restated)

	Financial assets at fair value through profit or loss HK$	Financial liabilities at fair value through profit or loss HK$	Total HK$
Opening balance (as previously reported)	1,591,454,628	(2,821,879,544)	(1,230,424,916)
Prior year adjustment (note 4)	-	(15,661,400)	(15,661,400)
Balance at 1 January 2019 (as restated)	1,591,454,628	(2,837,540,944)	(1,246,086,316)
Loss recognised in profit or loss	(102,141,515)	(162,811,721)	(264,953,236)
Purchases (restated)	364,577,630	(181,538,723)	183,038,907
Disposals	(234,206,371)	-	(234,206,371)
Transfer to Level 3	223,475,077	-	223,475,077
Transfer out of Level 3	(115,697,486)	-	(115,697,486)
Exchange difference	(16,229,834)	50,550,875	34,321,041
Closing balance (as restated)	1,711,232,129	(3,131,340,513)	(1,420,108,384)

44. FINANCIAL INSTRUMENT – continued

Fair value measurements of financial instruments – continued

Fair values of financial instruments carried at other than fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2020 and 31 December 2019.

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangement and similar agreements and similar arrangements

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

The Group entered rate Global Master Repurchase Agreements ("GMRA") for sale and repurchase agreements, with netting terms similar for to a master netting agreement. The GMRA does not meet the criteria for offsetting in the consolidated statements of financial position. However, it creates a right of set-off of different contracts that is enforceable only following an event of default, insolvency and bankruptcy of the Group or the counterparty. In such circumstances, all outstanding contracts under the agreements are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all contracts.

Additional, the Group currently has a legally enforceable right to set off the accounts receivable from clearing houses, brokers and margin clients and the accounts payable to these counterparties that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

As at 31 December 2020

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
	HK$	HK$	HK$	HK$	HK$	HK$
Description						
Accounts receivable from client	7,370,622,770	(3,250,698,166)	4,119,924,604	(806,295,094)	(2,892,162,512)	421,466,998
Amounts due from brokers and clearing house	3,774,728,867	(3,478,337,546)	296,391,321	(83,541,640)	-	212,849,681
Statutory deposits and deposit with stock exchange and clearing houses	65,818,814	-	65,818,814	-	-	65,818,814
Financial assets at the fair value through profit or loss	1,213,365,757	-	1,213,365,757	(930,120,331)	-	283,245,426
Repurchase agreements	588,907,205	-	588,907,205	(406,045,063)	-	182,862,142

44. FINANCIAL INSTRUMENT - continued

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangement and similar agreements and similar arrangements - continued

As at 31 December 2020 - continued

Description	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK$	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged HK$	Net amount HK$
Accounts payable to client	15,418,469,627	(3,250,698,166)	12,167,771,461	(806,295,094)	-	11,361,476,367
Amounts due to brokers and clearing house	5,340,959,228	(3,478,337,546)	1,862,621,682	(83,541,640)	-	1,779,080,042
Banks sold under repurchase agreement	930,120,331	-	930,120,331	(930,120,331)	-	-
Short selling securities	835,322,906	-	835,322,906	(406,045,063)	-	429,277,843

As at 31 December 2019

Description	Gross amount of recognised financial assets HK$	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position HK$	Net amounts of financial assets presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position: Cash collateral received HK$	Net amount HK$
Accounts receivable from client	4,417,571,844	(1,570,627,975)	2,846,943,869	(438,120,151)	(1,880,335,596)	528,488,122
Amounts due from brokers and clearing house	2,356,968,329	(1,940,849,142)	416,119,187	(162,271,949)	-	253,847,238
Statutory deposits and deposit with stock exchange and clearing houses	34,213,105	-	34,213,105	-	-	34,213,105
Financial assets at the fair value through profit or loss	1,879,322,324	-	1,879,322,324	(1,563,990,083)	-	315,332,241
Repurchase agreements	23,254,359	-	23,254,359	(8,461,413)	-	14,792,946

44. FINANCIAL INSTRUMENT - continued

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangement and similar agreements and similar arrangements - continued

As at 31 December 2019 - continued

Description	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK$	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged HK$	Net amount HK$
Accounts payable to client	6,522,515,059	(1,570,627,975)	4,951,887,084	(438,120,151)	-	4,513,766,933
Amounts due to brokers and clearing house	3,348,086,967	(1,940,849,142)	1,407,237,825	(162,271,949)	-	1,244,965,876
Banks sold under repurchase agreement	1,563,990,083	-	1,563,990,083	(1,563,990,083)	-	-
Short selling securities	1,018,381,283	-	1,018,381,283	(8,461,413)	-	1,009,919,870

45. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the group entered into transactions with the following related parties:

(a) Transactions with the ultimate holding company

(i) During the year, the Group paid bank charges of HK$523,608 (2019: HK$1,994,329) to the ultimate holding company in respect of bank loans and overdraft balances. The Group also incurred finance costs of HK$4,567,403 (2019: HK$4,589,649) to the ultimate holding company during the year.

(ii) As of 31 December 2020, the Group maintained bank deposits of HK$4,914,635,630 (2019: HK$2,909,935,954) with the ultimate holding company. The interest income earned for the year amounted to HK$23,629,264 (2019: HK$57,380,742).

(iii) During the year, the Group earned brokerage fee of HK$9,068,948 (2019: HK$4,529,032) from the ultimate holding company. The Group paid management fee of HK$70,424,314 (2019: HK$9,685,187) to the ultimate holding company.

(iv) During the year, the Group entered into an agreement with the ultimate holding company that all the related economic losses arising from a loan receivable amounted to HK$391,992,321 (2019: HK$359,187,791) are to be guaranteed by the ultimate holding company.

(v) During the year, the Group earned management fee of HK$498,027,471 (2019: HK$355,852,586) and HK$98,150,008 (2019: HK$114,781,659) from its associates and joint ventures respectively.

45. MATERIAL RELATED PARTY TRANSACTIONS - continued

(b) Transactions with an affiliated entity

(i) As of 31 December 2020, the Group maintained bank deposits of HK$775,106,042 (2019: HK$155,431,135) with an affiliated entity. The interest income earned for the year amounted to HK$2,246,308 (2019: HK$906,882).

(ii) During the year, the Group earned brokerage fee of HK$60,913,047 (2019: HK$33,205,158) from an affiliated entity.

(c) Key management personnel remuneration

Compensation of key management personnel represents amounts paid to the Company's directors as disclosed in note 11. The remuneration of directors is determined by the performance of individuals and market trends.

46. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including investment funds. For the investment funds where the Group involves as manager and also as investor, the Group assesses whether the combination of funds it held together with its remuneration create exposure to variability of returns from the activities of the investment funds that is of such significance that it indicates that the Group is a principal. During the year ended 31 December 2020, profit contributed by the consolidated investment funds were HK$1,466,930,545 (2019: Profit HK$268,699,153). As at 31 December 2020, the total assets and total liabilities of the consolidated investment funds, were HK$7,923,778,563 and HK$42,661,480 respectively (2019: HK$5,766,755,377 and HK$38,175,946 respectively).

Third-party interest in consolidated structured entities consist of third-party unit holders/shareholders' interests in consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit holders/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent interests of third-party unit holders in consolidated investment funds that are subject to the actions of third-party unit holders.

For the year ended 31 December 2020, interests held by third-party unit holders/shareholders of HK$469,069,822 (2019: HK$170,909,966) in consolidated structured entities are included as net unrealised gain (loss) on financial instruments at fair value through profit or loss within revenue in the consolidated statement of profit or loss and other comprehensive income and the interest held by third-party unit holders/shareholders amounted to HK$4,412,567,764 (2019: HK$3,131,340,513) as at 31 December 2020 are included in financial liabilities at fair value through profit or loss in the consolidated statement of financial position.

47. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

(a) Interest in the structured entities sponsored by the Group

The Group serves as the investment manager of several investment funds, which are considered to be structured entities within the definition of HKFRS 12 Disclosure of interests in other entities. The directors of the Company are of the opinion that the investment funds are regarded as unconsolidated structured entities as the Group is not able to exercise control over their operation and has no significant variable financial interest. Hence, they are not consolidated in the consolidated financial statements.

The Group receives an interest in these unconsolidated structured entities through the receipt of management and performance fees. The unconsolidated structured entities invest in range of asset classes. The carrying values of the Group's interests in these unconsolidated structured entities as recognised in the consolidated statement of financial position as at 31 December 2020 is HK$4,960,558,513 (2019: HK$2,371,390,753) and the management fee and performance fee recognised in the Group's consolidated statement of profit or loss and other comprehensive for the year ended 31 December 2020 is HK$596,177,479 (2019: HK$497,137,031).

The unconsolidated structured entities have various investment objectives and policies and are subject to the terms and conditions of their respective offering documentation. However, all unconsolidated structured entities invest their capital, from third-party investors, in a portfolio of assets according to respective investment restrictions set out in the offering documentation in order to provide a return to those investors from capital appreciation of those assets, income from those assets, or both. Accordingly, the portfolio of assets held by these unconsolidated structured entities are susceptible to market price risk and the performance of the investment manager.

Maximum exposure to loss

The Group's maximum exposure to loss associated with its interest in these unconsolidated structured entities is the carrying amount as above.

Other information

There are no liquidity arrangements, guarantees or other commitments that may affect the fair value or risk of the Group's interest in the unconsolidated structured entities.

47. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES - continued

(b) Interest in the structured entities sponsored by other parties

The Group holds interests in some structured entities sponsored by other parties through investments in the notes and units issued by these structured entities. Such structured entities included wealth management products, asset management schemes, trust beneficiary rights and investments in funds.

The following table sets out an analysis of the carrying amounts of interest held by the Group as at 31 December 2020 and 31 December 2019 in the structured entities sponsored by other parties and an analysis of the line items in the consolidated statement of financial position as at 31 December 2020 and 31 December 2019 in which assets are recognised relating to the Group's interests in structured entities sponsored by other parties:

	Carrying amount Financial assets at fair value through profit or loss	
	2020 HK$	2019 HK$
Wealth management products	1,018,939,077	1,158,155,452
Asset management schemes	64,832,695	187,001,550
Investment in funds	321,529,023	151,937,261
Total	1,405,300,795	1,497,094,263

The Group's maximum exposure to loss associated with its interest in these unconsolidated structured entities is the carrying amount as above.

48. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions into normal course of business by which it transfers recognised financial assets to third parties. In some cases where these transfers may give rise to full derecognition of the financial assets concerned. In other cases where the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

The Group transfers financial assets that are not derecognised in their entirety primarily through the sale of debt securities with repurchase agreements.

Sales and repurchase agreements are transactions in which the Group sells a debt security and simultaneously agrees to repurchase it at the agreed price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those debt securities sold. These debt securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these debt securities. The proceeds received on the transfer are recognised as liabilities under "Bonds sold under repurchase agreements".

48. TRANSFERRED FINANCIAL ASSETS - continued

The following table set out the carrying amounts of all financial assets transferred that are not derecognised in their entirety and associated liabilities:

	2020 HK$	2019 HK$
Carrying amount of transferred assets (financial asset at fair value through profit or loss)	1,213,365,757	1,879,322,324
Carrying amount of associated liabilities (bonds sold under repurchases agreement)	(930,120,331)	(1,563,990,083)
Net position	283,245,426	315,332,241

49. DISPOSAL OF A SUBSIDIARY

During 2020, the Group disposed part of interests in its subsidiary, Greater China Select Equity Fund Segregated Portfolio, which was engaged in investing financial instruments. As a result, the subsidiary became an associate of the Group upon completion of this disposal.

	2020 HK$
Net assets disposed of:	
Cash and bank	17,088,863
Financial assets at fair value through profit or loss	294,514,387
Prepayments, deposits, and other receivables	114,774
Other payable	(6,377,144)
	305,340,880
Gain on disposal of a subsidiary:	
Cash consideration received	119,373,200
Net assets disposed of	(305,340,880)
Non-controlling interests	151,779,010
Interests in associate	34,188,670
	-
Net cash inflow arising on disposal:	
Cash consideration received	119,373,200
Less: cash and bank disposed of	(17,088,863)
	102,284,337

CMB INTERNATIONAL CAPITAL
CORPORATION LIMITED
招银国际金融有限公司

Reports and Consolidated Financial Statements
For the year ended 31 December 2019

CMB INTERNATIONAL CAPITAL CORPORATION LIMITED
招銀國際金融有限公司

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries (together referred to as the "Group") are mainly engaged in financial and investment advisory, securities and futures brokerage, underwriting, fund management, financing and investment holding. The principal activities of its subsidiaries as at 31 December 2019 are set out in note 14 to the consolidated financial statements. There were no other significant changes to the Group's principal activities during the current year.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 6.

The directors now recommend the payment of a final dividend of HK$0.1223 per ordinary share in respect of the current year to the ordinary shareholders on the register of members on 10 March 2020, approximately to HK$262,990,000, in aggregate.

DIRECTORS

The directors during the year and up to the date of this report are:

Zhao Ju	
Tian Huiyu	
Zhu Qi	
Xu Xiaosong	
Shi Shunhua	(resigned on 28 May 2019)
Liu Hui	(resigned on 1 January 2020)
Peng Jiawen	
Zhang Dong	(resigned on 1 January 2020)
Zhang Cheng	(appointed on 5 June 2019)
Yang Fade	(appointed on 28 May 2019 and resigned on 1 January 2020)
Zhu Jiangtao	(appointed on 12 June 2019 and resigned on 1 January 2020)
Ding Yibing	(appointed on 1 January 2020)
Chan Ka Keung Ceajer	(appointed on 1 January 2020)
Lu Zhengfei	(appointed on 1 January 2020)

According to Articles 22(5) and 23 of Part B of Articles of Association of the Company, the directors appointed by a decision of the directors should retire from office at the next annual general meeting following their appointment and the retiring directors are eligible for reappointment to the office.

BUSINESS REVIEW

2019 is the year when CMB International's business resilience has stood the test. Compared with the strong business development for five consecutive years, in a complex external environment, CMB International adheres to the light model, improves quality and efficiency, and controls risks, which further reflects its ability and role as the only overseas integrated financial services platform of China Merchants Bank. In 2019, the Group recorded a revenue of HK$2.1 billion and a net profit of HK$906 million, an increase of 10.7% and 17.0% over the previous year, respectively.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contract of significance to which the Company's holding companies, subsidiaries or fellow subsidiaries was a party, in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that a director or a former director of the Company may be indemnified out of the Company's assets against any liability incurred by the director to a person other than the Company or an associated company of the Company in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or associated company.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Zhao Ju
Director
Hong Kong
13 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
CMB INTERNATIONAL CAPITAL CORPORATION LIMITED
招银国际金融有限公司
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of CMB International Capital Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 80, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial positon of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

TO THE MEMBERS OF
CMB INTERNATIONAL CAPITAL CORPORATION LIMITED - continued
招银国际金融有限公司
(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
13 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	2019 HK$	2018 HK$
Revenue	6	2,119,387,276	1,914,911,191
Other revenue	7	78,391,756	41,122,248
Share of profits of associates	15	191,786,791	11,908,266
Share of results of joint ventures	16	306,582,896	190,467,095
Staff costs	8	(857,625,067)	(653,880,656)
Depreciation	8	(26,250,130)	(19,349,022)
Amortisation of intangible assets	8	(1,230,347)	(450,235)
Net impairment loss	36	(156,266,362)	(85,496,246)
Commission expenses		(88,191,634)	(43,949,997)
Other operating expenses		(284,631,979)	(231,906,445)
		1,281,953,200	1,123,376,199
Finance costs	8	(197,248,037)	(108,008,993)
Profit before tax	8	1,084,705,163	1,015,367,206
Income tax expense	9	(178,287,980)	(240,810,794)
Profit for the year from continuing operations		906,417,183	774,556,412
Profit attributable to:			
- Owners of the Company		876,644,075	775,168,640
- Non-controlling interests		29,773,108	(612,228)
		906,417,183	774,556,412
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive expense of joint ventures		(24,991,955)	(61,687,106)
Share of other comprehensive expense of associates		(8,623,260)	(22,946,650)
Exchange differences on translation of financial statements of subsidiaries		(4,418,100)	(24,930,611)
Other comprehensive expense for the year, net of tax		(38,033,315)	(109,564,367)
Total comprehensive income for the year		868,383,868	664,992,045
Attributable to:			
Owners of the Company		839,049,930	666,255,014
Non-controlling interests		29,333,938	(1,262,969)
		868,383,868	664,992,045

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	NOTES	2019 HK$	2018 HK$
Non-current assets			
Property, plant and equipment	12	44,442,778	50,306,802
Right-of-use assets	13	198,816,453	-
Interests in associates	15	694,111,792	616,129,195
Interests in joint ventures	16	1,767,145,239	1,530,135,031
Intangible assets	17	7,873,411	5,784,762
Loans and advance to customers	21	2,586,259,105	1,937,238,508
Financial assets at fair value through profit or loss	20	2,019,540,019	2,050,062,983
Prepayments, deposits and other receivables	18	53,971,244	56,872,174
Deferred tax assets	19	52,944,013	39,551,207
		7,425,104,054	6,286,080,662
Current assets			
Loans and advances to customers	21	2,021,356,134	1,455,679,208
Accounts receivable	22	3,564,300,968	1,071,723,828
Repurchase agreements	45	23,237,647	-
Prepayments, deposits and other receivables	18	167,582,535	98,448,925
Amount due from immediate holding company		39,606,045	-
Derivative financial assets	20	3,030,655	-
Financial assets at fair value through profit or loss	20	6,026,910,824	3,557,463,837
Bank balances - trust accounts	23	4,299,194,658	4,202,743,461
Bank and cash	24	2,861,536,540	3,526,307,743
		19,006,756,006	13,912,367,002
Current liabilities			
Accounts payable	25	6,362,816,233	4,638,512,849
Accruals and other payables	26	1,620,952,142	1,078,929,904
Bonds sold under repurchase agreement	27	1,563,990,083	-
Loans from immediate holding company	29	1,681,684,986	1,035,808,690
Amount due to immediate holding company	29	-	145,355,899
Bank and other borrowings	28	1,537,907,791	989,762,293
Tax payable		182,800,292	142,286,571
Deferred income	26	7,527,369	6,302,093
Notes payable	44	462,491,051	-
Financial liabilities at fair value through profit or loss	41	1,053,905,448	1,260,639,332
Lease liabilities	43	57,567,228	-
		14,531,642,623	9,297,597,631
Net current assets		4,475,113,383	4,614,769,371
Total assets less current liabilities		11,900,217,437	10,900,850,033

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AS AT 31 DECEMBER 2019

	NOTES	2019 HK$	2018 HK$
Non-current liabilities			
Deferred tax liabilities	19	12,377,309	6,640,489
Deferred income	26	29,235,474	46,335,054
Debt securities issued	40	2,336,160,000	2,349,210,000
Financial liabilities at fair value through profit or loss	41	2,934,140,390	2,821,879,544
Other liabilities	42	15,393,161	44,708,029
Lease liabilities	43	145,031,975	-
		5,472,338,309	5,268,773,116
Net assets		6,427,879,128	5,632,076,917
Capital and reserves			
Share capital	30	3,265,793,396	3,265,793,396
Reserves		2,877,628,134	2,154,858,204
Equity attributable to owners of the Company		6,143,421,530	5,420,651,600
Non-controlling interest		284,457,598	211,425,317
Total equity		6,427,879,128	5,632,076,917

The consolidated financial statements on pages 6 to 80 were approved and authorised for issue by the Board of Directors on 13 March 2020 and are signed on its behalf by:

Zhao Ju
DIRECTOR

Xu Xiaosong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company						
	Share capital HK$	Exchange reserve HK$	Merger reserve (note a) HK$	Retained profits HK$	Subtotal HK$	Non-controlling interest HK$	Total equity HK$
Balance at 1 January 2018	3,265,793,396	(28,453,295)	144,103,461	1,534,376,824	4,915,820,386	13,469,322	4,929,289,708
Profit for the year	-	-	-	775,168,640	775,168,640	(612,228)	774,556,412
Other comprehensive expense for the year	-	(108,913,626)	-	-	(108,913,626)	(650,741)	(109,564,367)
Total comprehensive (expense) income for the year	-	(108,913,626)	-	775,168,640	666,255,014	(1,262,969)	664,992,045
Amount increased in non-controlling interest	-	-	-	-	-	203,312,896	203,312,896
Dividend paid during the year (note 11)	-	-	-	(161,423,800)	(161,423,800)	-	(161,423,800)
Dividend to non-controlling interest	-	-	-	-	-	(4,093,932)	(4,093,932)
Balance at 31 December 2018	3,265,793,396	(137,366,921)	144,103,461	2,148,121,664	5,420,651,600	211,425,317	5,632,076,917
Profit for the year	-	-	-	876,644,075	876,644,075	29,773,108	906,417,183
Other comprehensive expense for the year	-	(37,594,145)	-	-	(37,594,145)	(439,170)	(38,033,315)
Total comprehensive (expense) income for the year	-	(37,594,145)	-	876,644,075	839,049,930	29,333,938	868,383,868
Amount increased in non-controlling interest	-	-	-	-	-	52,041,371	52,041,371
Dividend paid during the year (note 11)	-	-	-	(116,280,000)	(116,280,000)	-	(116,280,000)
Dividend to non-controlling interest	-	-	-	-	-	(8,343,028)	(8,343,028)
Balance at 31 December 2019	3,265,793,396	(174,961,066)	144,103,461	2,908,485,739	6,143,421,530	284,457,598	6,427,879,128

Note a: Merger reserve has arisen as a result of the combination of businesses under same control. The amount represented the difference between the net book value of acquired business and the consideration paid.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	2019 HK$	2018 HK$
OPERATING ACTIVITIES			
Profit for the year		906,417,183	774,556,412
Adjustments for:			
Share of profits of associates	15	(191,786,791)	(11,908,266)
Share of results of joint ventures	16	(306,582,896)	(190,467,095)
Depreciation	12	26,250,130	19,349,022
Depreciation of right-of-use assets	13	60,932,961	-
Income tax expense	9	178,287,980	240,810,794
Amortisation of intangible assets	17	1,230,347	450,235
Net impairment loss	36	156,266,362	85,496,246
Gain on disposal of asset held for sale		-	(6,234,395)
Loss on disposal of associates		1,200,422	-
Net realised gain on disposal of securities and investment fund	6	(281,380,248)	(387,895,531)
Loss on disposal of property, plant and equipment	12	10,737	665
Net unrealised loss on securities trading and derivatives	6	289,783,342	307,851,369
Finance costs	8	197,248,037	108,008,993
Dividend income	6	(16,860,953)	(13,213,555)
Interest income		(428,517,749)	(304,742,983)
Operating cash flows before movements in working capital		592,498,864	622,061,911
Increase in loans and advances to customers		(1,355,870,835)	(1,045,724,842)
Increase in financial assets at fair value through profit or loss		(2,439,070,088)	(366,293,189)
Increase in bank balances - trust accounts		(97,858,722)	(1,380,202,258)
Increase in bank deposit		(512,026,120)	-
(Increase) decrease in accounts receivable		(2,504,231,637)	794,820,971
(Increase) decrease in prepayments, deposits and other receivables		(42,257,796)	47,132,959
Increase in amount due from immediate holding company		(39,606,045)	-
Increase in accounts payable		1,724,303,384	874,467,507
Increase in accruals and other payables		538,461,023	3,737,802
Increase (decrease) in bonds sold under repurchase agreement		1,563,990,083	(42,332,638)
Decrease in amount due to the immediate holding company		(145,355,899)	(229,527,348)
Increase in repurchase agreement	45	(23,254,359)	-
Decrease in deferred income		(15,874,304)	(140,749,002)
(Decrease) increase in financial liabilities and other liabilities		(123,787,906)	1,244,701,384
Cash (used in) generated from operations		(2,879,940,357)	382,093,257
Interest received		409,121,085	315,204,185
Dividend received		19,128,925	13,213,555
Profits tax payment		(146,030,987)	(257,956,518)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		(2,597,721,334)	452,554,479

CONSOLIDATED STATEMENT OF CASH FLOWS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	2019 HK$	2018 HK$
INVESTING ACTIVITIES			
Purchases of intangible assets	17	(3,146,018)	(3,227,399)
Purchases of property, plant and equipment	12	(20,412,092)	(21,201,850)
Payment for investment in a joint venture		-	(1,214,915,454)
Payment for investment in an associate		(92,054,266)	(49,695,071)
Proceeds on disposal of associates	15	188,214,578	-
Proceeds from disposal of assets held for sale		-	17,600,000
NET CASH FROM (USED IN) INVESTING ACTIVITIES		72,602,202	(1,271,439,774)
FINANCING ACTIVITIES			
Interest paid		(193,686,822)	(81,306,058)
Proceeds from loans from immediate holding company		2,675,278,967	1,140,182,537
Repayment of loans from immediate holding company		(2,022,457,015)	(859,510,200)
Proceeds on issuance of shares to non-controlling interests		52,041,371	203,312,896
Proceeds from bank borrowings		5,919,839,264	4,639,343,360
Repayment of bank borrowings		(5,366,418,135)	(4,174,943,369)
Proceeds from issuance of debt securities issued		-	2,354,255,000
Dividend paid to shareholders	11	(116,280,000)	(161,423,800)
Dividend paid to non-controlling interest		(8,343,028)	(4,093,932)
Proceeds from issuance of notes		472,491,051	-
Repayment of lease liabilities		(57,150,211)	-
Redemption of notes		(10,000,000)	-
NET CASH FROM FINANCING ACTIVITIES		1,345,315,442	3,055,816,434
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,179,803,690)	2,236,931,139
CASH AND CASH EQUIVALENTS AT 1 JANUARY		3,526,307,743	1,437,667,620
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		3,006,367	(148,291,016)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	24	2,349,510,420	3,526,307,743

1. GENERAL INFORMATION

The Company is incorporated in Hong Kong with limited liabilities. Its parent is CMB International Capital Holdings Corporation Limited (incorporated in Hong Kong) and its ultimate parent is China Merchants Bank Co., Ltd (incorporated in The People's Republic of China (the "PRC")). The address of its registered office and principal place of business is 45-46/F, Champion Tower, Three Garden Road, Central, Hong Kong.

The principal activities of the Company and its subsidiaries (the "Group") are financial and investment advisory, securities and future brokerage, underwriting, fund management, financing and investment holding.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and Amendments to HKFRSs that are mandatorily effective for the current year - continued

HKFRS 16 "Leases" - continued

As a lessee

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong and PRC was determined on a portfolio basis;

ii. elected not to recognize right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3.716%.

	At 1 January 2019 HK$
Operating lease commitments disclosed as at 31 December 2018	140,107,435
Lease liabilities discounted at relevant incremental borrowing rates	137,535,630
Add: Extension options reasonably certain to be exercised	115,695,118
Less: Recognition exemption - short-term leases	(1,942,747)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	251,288,001
Lease liabilities as at 1 January 2019	251,288,001
Analysed as:	
Current	44,655,320
Non-current	206,632,681
	251,288,001

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and Amendments to HKFRSs that are mandatorily effective for the current year - continued

HKFRS 16 "Leases" - continued

As a lessee - continued

	Right-of-use assets HK$
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	251,288,001

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018 HK$	Adjustments HK$	Carrying amounts under HKFRS 16 at 1 January 2019 HK$
Non-current Assets				
Right-of-use assets	13	-	251,288,001	251,288,001
Current Liabilities				
Lease liabilities	43	-	52,632,892	52,632,892
Non-current liabilities				
Lease liabilities	43	-	198,655,109	198,655,109

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 "Impairment of Assets".

3. SIGNIFICANT ACCOUNTING POLICIES - continued

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiaries. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation - continued

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries including re-attribution of relevant reserves between the Group and the non-controlling interests, according to the Group's and non-controlling interests proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary the assets and liabilities of that subsidiary and non-controlling interest are derecognised, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining, entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Merger accounting for business combination involving entities under common control - continued

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivables.

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate, joint venture other than profit or loss, and other comprehensive income are not accounted for unless such change resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Interests in associates and joint ventures - continued

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in consolidated statement of profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to consolidated statement of profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue from contracts with customers

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

Description of the Group's performance obligation of main source of income under the scope of HKFRS 15 are as follows:

(i) Brokerage fee commission income

Brokerage fee commission income arises from dealing services for securities and futures. Commission income is recognised at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed.

(ii) Net realised gain on disposal of securities and investment funds

Net realised gain on disposal of securities and investment funds are recognised at a point in time when the relevant contract notes are executed.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue from contracts with customers - continued

(iii) Net unrealised gain on securities trading and derivatives

Net unrealised gain on securities trading and derivatives are recognised at a point in time from valuation at the end of the reporting period in accordance with the accounting policies for financial instruments.

(iv) Placing and underwriting commission income

Placing, underwriting and sponsor commission income arises from fund raising activities in equity and debt capital market, and financial products arrangement services. Such transaction revenues are recognised at a point in time when the services of the transactions are completed under the terms of each engagement and the revenue can be measured reliably.

(v) Investment management fees

Investment management fee income arises from the management services for the funds at a fixed percentage per month of the net asset value of the managed accounts under management of the Group. Management fee is recognised over time (i.e. the fund life) based on the contractual terms specified in the underlying investment management agreements, since the customer (i.e. the managed fund) simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs and the fee rate and the capital contribution of the fund which are used to determine the management fee can be reliably measured.

(vi) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Accordingly, the revenue is recognised at a point in time.

(vii) Advisory, consultancy and other fee income

Advisory, consultancy and other fee income arises from financial services provided by the Group and is recognised at a point in time when the services for the transactions are completed under the terms of each engagement.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue from contracts with customers - continued

(viii) Interest income from loans and advances to customers

Insurance referral income and commission income are recognised at point in time when the relevant services are rendered.

(ix) Insurance referral income and commission income

Insurance referral income and commission income are recognised at point in time when the relevant services are rendered.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

Principal versus agent

When another party is involved in providing services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified services itself (i.e. the Group is a principal) or to arrange for those services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified service before that service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified service by another party. In this case, the Group does not control the specified service provided by another party before that service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified services to be provided by the other party.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases - continued

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of off motor vehicles / machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases - continued

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) - continued

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases - continued

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) - continued

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases - continued

The Group as a lessee (prior to 1 January 2019) - continued

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to consolidated statement of profit or loss and other comprehensive income.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in consolidated statement of profit or loss and other comprehensive income. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to consolidated statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Employee benefits

Salaries, bonuses, annual leave, contributions to defined contribution retirement plans and other staff benefit are accrued in the period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds and Social Security Fund as required and the Hong Kong Mandatory Provident Fund Scheme Ordinance and the Interim Measure on the Administration of the Investment of National Social Security Fund respectively, are recognised as an expense.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in consolidated statement of profit or loss and other comprehensive income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated statement of profit or loss.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill - continued

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and cash equivalents

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

Tax subsidy

Tax subsidy is not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Tax subsidy that is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "revenue" line item.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts receivable, bank balances - trust accounts, bank and cash, loan and advances to customers, repurchase agreements and deposits and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

ECL is measured based on the probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD"). Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights, as well as depends on stage of the asset:

Stage 1: ECL for a financial instrument is measured at an amount equal to 12-month ECL if the credit risk has not increased significantly since initial recognition. A provision for twelve-month ECL is required.

Stage 2: If the credit risk has increased significantly since initial recognition, but is not yet deemed to be credit-impaired, ECL for a financial instrument is measured at an amount equal to the lifetime ECL. A provision for life-time ECL is required.

Stage 3: If the financial instrument is credit-impaired, loss allowance for a financial instrument is measured at an amount equal to the lifetime ECL. A provision for life-time ECL is required.

According to HKFRS9, when determining whether the credit risk of a financial asset has increased significantly since initial recognition, reasonable and supportable information that is relevant and available without undue cost or effort should be considered, including forward looking factors. The following information is taken into account when assessing whether credit risk has increased significantly:

- existing or forecasted adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

Definition of default - continued

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

In particular, The Group's ECL framework is leveraged on the ECL methodology of the Head Office, China Merchants Bank, and calculation of ECL is based on PD, LGD and EAD components as well as forward looking factors. Based on the Head Office's ECL framework, staging criteria of an asset are based on the following factors:

- Number of days past due: If overdue more than 30 days, the asset would be classified as Stage 2; If overdue more than 90 days, the financial asset's classification would be Stage 3;
- Five grade loan classifications: Normal loans would be Stage 1; Special mention loans would be classified Stage 2; substandard, doubtful and loss would all fall under Stage 3.
- Other indicators: if risk has deteriorated, manual judgment can be exercised for classifying the asset as Stage 2; watchlist accounts would be classified as Stage 2.
- The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Account Receivables

Currently, receivables mainly relates to fees due from clients of Corporate Finance Department ("CFD"), Debt Capital Markets Department ("DCM"), and Asset Management Department ("AMD").

According to HKFRS 15 Revenue from Contracts with Customers, trade receivables can be grouped/segregated based on different criteria, and below are some examples:

- geographical region
- product type
- customer rating
- collateral or trade credit insurance
- type of customer

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

Account Receivables - continued

In view of different business nature, account receivables have been segmented into Asset Management ("AM") (i.e., including AMD and Shenzhen subsidiary) and non-AM (i.e. CFD, DCM, and other related parties).

The Group uses provision matrix to calculate ECL for the accounts receivable. The provision rates are based on aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

Write-off Policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to recovery action under The Group's recovery procedures, taking into account legal advice where appropriate.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity - continued

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 under permits the entire combined contract to be designated as at FVTPL.

HKFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including bank and other borrowings, notes payable, accounts payable, other payables, loans from and amount due to immediate holding company are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity - continued

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurement of financial assets at fair value through profit or loss

Certain of the Group's financial assets including unlisted investment funds, unlisted equity securities, asset management scheme structured loans, listed equity securities and unlisted debts amounting to HK$11,680,800, HK$1,401,244,705, HK$106,912,445, Nil, HK$135,501,439 and HK$55,892,740 respectively as at 31 December 2019 (2018: HK$11,746,050, HK$1,153,911,735, HK$231,993,080, HK$193,803,763, Nil and Nil respectively) are measured at fair values with fair values being determined based on unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Details are set out in note 36.

Provision of ECL for financial assets measured at amortised cost

The Group estimates ECL for financial assets which are subject to impairment under HKFRS 9. The risk parameters, are based on the historical loss experience taking into consideration forward-looking information that is reasonable and supportable available without undue cost or effort. At every reporting date, the historical risk parameters are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL for financial assets measured at amortised cost are disclosed in note 36.

5. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	2019 HK$	2018 HK$
Non-current assets		
Property, plant and equipment	39,112,926	43,048,636
Right-of-use assets	183,470,730	-
Interest in associate	-	292,617,507
Intangible assets	3,012,005	2,683,838
Investments in subsidiaries (note 14)	1,831,746,341	1,832,746,214
Subordinated loan to a subsidiary	280,000,000	280,000,000
Financial assets at fair value through profit or loss	445,851,757	-
Deferred tax assets	2,733,587	5,993,356
	2,785,927,346	2,457,089,551
Current assets		
Amount due from the immediate holding company	41,414,479	-
Loans to subsidiaries	3,955,870,693	3,182,100,843
Prepayments and other receivables	216,914,000	350,284,661
Amounts due from subsidiaries	2,048,301,004	1,815,648,601
Derivative financial assets	3,030,655	-
Financial assets at fair value through profit or loss	389,487,276	319,054,586
Tax receivable	4,570,853	-
Cash at bank	467,710,516	235,262,144
	7,127,299,476	5,902,350,835
Current liabilities		
Accounts and other payables	226,411,020	247,085,110
Amount due to the immediate holding company	-	129,602,700
Amounts due to subsidiaries	422,719,787	205,171,795
Bank borrowings	1,537,907,791	968,991,302
Tax payable	-	6,101,187
Loan from immediate holding company	3,930,775,026	3,377,212,578
Financial liabilities at FVFPL	957,836	-
Lease liabilities	44,503,129	-
	6,163,274,589	4,934,164,672
Net current assets	964,024,887	968,186,163
Non-current liability		
Deferred tax liabilities	2,347,763	1,789,865
Lease liabilities	141,847,870	-
Net assets	3,605,756,600	3,423,485,849

5. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION - continued

	2019 HK$	2018 HK$
Capital and reserves		
Share capital (note 30)	3,265,793,396	3,265,793,396
Reserves (note 31)	339,963,204	157,692,453
	3,605,756,600	3,423,485,849

Note: The Company has applied HKFRS 16 since 1 January 2019 in accordance with transitional provision stated in note 2. Lease liabilities amounted to HK$224,775,482 were recognised on initial application of HKFRS 16, of which HK$224,775,482 recognised as right-of-use assets for own use.

Approved and authorised for issue by the Board of Directors on 13 March 2020 and are signed on its behalf by:

Zhao Ju
DIRECTOR

Xu Xiaosong
DIRECTOR

6. REVENUE

The Group, through its subsidiaries, provides a range of financial services including financial and investment advisory, securities and futures brokerage, underwriting, fund management, investment holding and financing services.

The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2019 HK$	2018 HK$
Brokerage fee commission income	210,549,295	200,464,635
Net realised gain on disposal of securities and investment funds	281,380,248	387,895,531
Net unrealised loss on securities trading and derivatives	(289,783,342)	(307,851,369)
Placing and underwriting commission income	293,018,231	386,552,600
Investment management fee	682,581,665	648,803,521
Dividend income from securities	16,860,953	13,213,555
Advisory, consultancy and other fee income	469,179,097	293,816,263
Interest income from loans and advances to customers	350,125,993	262,229,012
Insurance referral income and commission income	105,475,136	29,787,443
	2,119,387,276	1,914,911,191

7. OTHER REVENUE

	2019 HK$	2018 HK$
Interest income		
- Ultimate holding company	57,380,742	34,403,334
- Other financial institutions	14,598,674	8,110,637
- Affiliated entities	1,868,287	-
Others	4,544,053	(1,391,723)
	78,391,756	41,122,248

8. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	2019 HK$	2018 HK$
Staff costs (including directors' remuneration)		
- Contributions to defined contribution retirement plans	11,102,999	10,230,179
- Salaries, wages and other benefits	846,522,068	643,650,477
	857,625,067	653,880,656
Finance costs		
- Interest on loans from the ultimate holding company	4,589,649	14,728,501
- Interest on loans from the immediate holding company	36,519,165	32,851,253
- Interest on other borrowings	146,463,435	60,429,239
- Interest on lease liabilities	9,675,788	-
	197,248,037	108,008,993
Auditor's remuneration	6,294,297	5,327,623
Depreciation	26,250,130	19,349,022
Amortisation of intangible assets	1,230,347	450,235
Loss on disposal of property, plant and equipment	10,737	665
Operating lease charges on properties	-	73,968,154
Depreciation charge for right-of-use assets	60,932,901	-

9. INCOME TAX EXPENSE

	2019 HK$	2018 HK$
Current tax:		
Hong Kong	65,727,643	71,035,708
Singapore	1,887,149	-
PRC Enterprise Income Tax	122,202,498	155,832,384
	189,817,290	226,868,092
Over-provision in prior years:		
Hong Kong	(3,272,582)	(215,870)
Deferred tax		
Current year	(8,256,728)	14,158,572
	178,287,980	240,810,794

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

9. INCOME TAX EXPENSE - continued

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$	2018 HK$
Profit before tax	1,084,705,163	1,015,367,206
Tax at the income tax rate of 16.5%	178,976,352	167,535,589
Tax effect of expenses not deductible for tax purpose	21,312,594	15,065,791
Tax effect of income not taxable for tax purpose	(51,242,172)	(10,283,986)
Over-provision in respect of prior years	(3,272,582)	(215,870)
Tax effect of tax losses not recognised	19,177,053	23,061,101
Utilisation of tax losses previously not recognised	(31,479,573)	(2,078,292)
Effect of different tax rates of subsidiaries operating in other jurisdictions	44,816,308	47,271,274
Others	-	455,187
Income tax expense	178,287,980	240,810,794

10. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to the Hong Kong Companies Ordinance, is as follows:

	2019 HK$	2018 HK$
Fees	-	-
Other emoluments (note)	22,053,381	13,943,929

Note: The directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

11. DIVIDEND

	2019 HK$	2018 HK$
Dividends for ordinary shareholders of the Company recognised as distribution during the year: 2018 Final - HK$0.054 cents per share (2018: 2017 Final - HK$0.075 cents per share)	116,280,000	161,423,800

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HK$0.1223 (2018: final dividend in respect of the year ended 31 December 2018 of HK$0.054) per ordinary share, in aggregate amount of HK$262,990,000 (2018: HK$116,280,000) has been proposed and subjected to the approval by ordinary shareholders in the Annual General Meeting.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$	Computer and equipment HK$	Furniture and other property, plant and equipment HK$	Motor vehicles HK$	Total HK$
COST					
At 1 January 2018	11,365,279	43,690,554	6,208,286	3,122,754	64,386,873
ADDITIONS					
Additions	19,608,024	14,070,646	5,166,263	-	38,844,933
Disposals	-	(121,156)	-	-	(121,156)
Exchange adjustments	(211,172)	(144,355)	(46,830)	(49,302)	(451,659)
At 31 December 2018	30,762,131	57,495,689	11,327,719	3,073,452	102,658,991
ADDITIONS					
Additions	3,912,884	15,516,903	575,897	406,408	20,412,092
Disposals	-	(176,600)	(36,650)	(439,052)	(652,302)
Exchange adjustments	(41,873)	(47,688)	(8,720)	(18,175)	(116,456)
At 31 December 2019	34,633,142	72,788,304	11,858,246	3,022,633	122,302,325
DEPRECIATION					
At 1 January 2018	972,102	26,561,242	1,886,881	1,828,870	31,249,095
Provided for the year	8,347,989	8,934,320	1,692,101	374,612	19,349,022
Eliminated on disposals	-	(120,491)	-	-	(120,491)
Exchange adjustments	1,119,207	361,748	430,710	(37,102)	1,874,563
At 31 December 2018	10,439,298	35,736,819	4,009,692	2,166,380	52,352,189
Provided for the year	10,656,720	13,291,864	1,936,136	365,410	26,250,130
Eliminated on disposals	-	(176,600)	(25,913)	(439,052)	(641,565)
Exchange adjustments	(38,422)	(144,959)	90,122	(7,948)	(101,207)
At 31 December 2019	21,057,596	48,707,124	6,010,037	2,084,790	77,859,547
CARRYING VALUES					
At 31 December 2019	13,575,546	24,081,180	5,848,209	937,843	44,442,778
At 31 December 2018	20,322,833	21,758,870	7,318,027	907,072	50,306,802

13. RIGHT-OF-USE ASSETS

	Leased properties HK$	Office equipment HK$	Total HK$
As at 1 January 2019			
Carrying amount	246,819,480	4,468,521	251,288,001
As at 31 December 2019			
Carrying amount	189,254,931	9,561,522	198,816,453
For the year ended 31 December 2019			
Depreciation charge under "other operating expense"	58,309,330	2,623,631	60,932,961
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16			21,292,281
Expense relating to leases of low-value assets, excluding short-term leases of low value assets			1,174,638
Total cash outflow for leases			57,150,211

For both years, the Group leases various offices and equipment for its operations. Lease contracts are entered into for fixed term of 3 months to 5 years, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has extension options in a number of leases for the leased offices. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

14. INVESTMENTS IN SUBSIDIARIES

	2019 HK$	2018 HK$
Unlisted shares, at cost	1,878,134,641	1,879,134,514
Less: impairment loss	(46,388,300)	(46,388,300)
	1,831,746,341	1,832,746,214

Details of the principal subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation/ registration and business	Paid up issued/registered capital 2019	Paid up issued/registered capital 2018	Proportion ownership and voting power held by the Company	Principal activity
招银金融控股(深圳)有限公司	PRC	HK$78,000,000	HK$78,000,000	100%	Investment holding
CMB International Securities Limited	Hong Kong	HK$1,125,147,631	HK$1,000,000,000	100%	Securities broking
CMB International Capital Limited	Hong Kong	HK$30,000,000	HK$30,000,000	100%	Underwriting, financial and compliance advisory
CMB International Asset Management Limited	Hong Kong	HK$56,000,000	HK$56,000,000	100%	Fund management and investment advisory
CMB International Finance Limited	Hong Kong	HK$5,000,000	HK$5,000,000	100%	Money lending
CMB International Investment Management Limited (Note)	British Virgin Islands	US$1	US$1	100%	Investment holding
Yat Lung Securities Limited	Hong Kong	HK$7,000,000	HK$7,000,000	100%	Securities broking
CMBI (Singapore) Pte. Limited	Singapore	SGD5,000,000	SGD5,000,000	100%	Securities broking and asset management
CMB International Capital (Cayman) Limited (Note)	Cayman Islands	US$1	US$1	100%	Investment holding
CMB International Financial Products Limited (Note)	British Virgin Island	-	-	100%	Investment holding
CMB International Investment Products Limited (Note)	British Virgin Island	-	-	100%	Investment holding
CMB International Insurance Consultancy Co. Limited	Hong Kong	-	-	100%	Insurance agency
CMB International Consultancy Limited (formerly named CMB International Brokers Limited)	Hong Kong	-	-	100%	Insurance agency

Note: No audited financial statements were issued for these subsidiaries as they are not required to issue financial statements under the statutory requirements of their place of incorporation.

15. INTERESTS IN ASSOCIATES

	2019 HK$	2018 HK$
Cost of unlisted investment in associates	587,920,010	624,800,603
Share of post-acquisition profits (losses) and other comprehensive income and exchange difference	106,191,782	(8,671,408)
	694,111,792	616,129,195

Details of the associates at the end of the reporting period are as follows:

Name of entity	Place of incorporation and business	Class of shares held	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2019	2018	2019	2018	
深圳市招银壹号股权投资合伙企业 (有限合伙)	PRC	Ordinary	0.36% (Note)	0.33% (Note)	0.36% (Note)	0.33% (Note)	Investment
深圳市招银叁号股权投资合伙企业 (有限合伙)	PRC	Ordinary	2.45% (Note)	1% (Note)	2.45% (Note)	1% (Note)	Investment
深圳市招银肆号股权投资合伙企业 (有限合伙)	PRC	Ordinary	0.34% (Note)	0.33% (Note)	0.34% (Note)	0.33% (Note)	Investment
招银共享贰号 (深圳) 合伙企业 (有限合伙)	PRC	Ordinary	0.06% (Note)	0.03% (Note)	0.06% (Note)	0.03% (Note)	Investment
招银成长捌号投资 (深圳) 合伙企业 (有限合伙)	PRC	Ordinary	0.03% (Note)	0.03% (Note)	0.03% (Note)	0.03% (Note)	Investment
深圳市招银一号创新创业投资合伙企业 (有限合伙)	PRC	Ordinary	1.06% (Note)	1% (Note)	1.06% (Note)	1% (Note)	Investment
招银成长拾叁号投资 (深圳)合伙企业 (有限合伙)	PRC	Ordinary	7.69% (Note)	10% (Note)	7.69% (Note)	10% (Note)	Investment
北京中交招银路桥基金合伙企业 (有限合伙)	PRC	Ordinary	0.1% (Note)	0.33% (Note)	0.1% (Note)	0.33% (Note)	Investment
江苏招银现代产业股权投资基金一期 (有限合伙)	PRC	Ordinary	0.17% (Note)	0.17% (Note)	0.17% (Note)	0.17% (Note)	Investment
深圳招银电信新趋势股权投资基金合伙企业 (有限合伙)	PRC	Ordinary	0.03% (Note)	0.03% (Note)	0.03% (Note)	0.03% (Note)	Investment
湖北长江招银产业基金合伙企业 (有限合伙)	PRC	Ordinary	0.04% (Note)	0.04% (Note)	0.04% (Note)	0.04% (Note)	Investment
新疆招银新投政府与社会资本合作基金一期(有限合伙)	PRC	Ordinary	0.04% (Note)	0.03% (Note)	0.04% (Note)	0.03% (Note)	Investment
湖北长江招银动力投资合伙企业 (有限合伙)	PRC	Ordinary	3.27% (Note)	3.47% (Note)	3.27% (Note)	3.47% (Note)	Investment
中船感知海洋产业基金管理有限公司	PRC	Ordinary	N/A	20%	N/A	20%	Investment

15. INTERESTS IN ASSOCIATES - continued

Name of entity	Place of incorporation and business	Class of shares held	Proportion of ownership interest held by the Group 2019	2018	Proportion of voting rights held by the Group 2019	2018	Principal activity
宁波梅山保税港区南合雅春投资管理合伙企业(有限合伙)	PRC	Ordinary	13.23% (Note)	N/A (Note)	13.23% (Note)	N/A (Note)	Investment
南京招银现代产业贰号股权投资基金(有限合伙)	PRC	Ordinary	0.08% (Note)	N/A (Note)	0.08% (Note)	N/A (Note)	Investment
上海浦东人民招银文化产业股权投资基金合伙企业(有限合伙)	PRC	Ordinary	0.55% (Note)	N/A (Note)	0.55% (Note)	N/A (Note)	Investment
CMBI SPC-China Sector Focus Fund SP	Cayman Islands	Class A	8% (Note)	6.45% (Note)	8% (Note)	6.45% (Note)	Investment
CMBI SPC-CMBI Multi-tranche Bond Fund SP	Cayman Islands	Class S4	16% (Note)	20.33%	16% (Note)	20.33%	Investment
CICFH Entertainment Opportunity SPC - CMBI Melody Fund SP	Cayman Islands	Class A	N/A	5.60% (Note)	N/A	5.60% (Note)	Investment
Ever Green Series C Limited Partnership	Cayman Islands	Class A	25.86%	10.40% (Note)	25.86%	10.40% (Note)	Investment
CMBI Private Equity Series SPC - Robotics & AI Fund I SP	Cayman Islands	Class M	0.03% (Note)	0.03% (Note)	0.03% (Note)	0.06% (Note)	Investment
CMBI SPC-Asian Bond Fund SP	Cayman Islands	Class A	18% (Note)	N/A	18% (Note)	N/A	Investment

Note: The Group acted as general partner and limited partner and has significant influence even though it holds less than 20% of the voting rights of the entity.

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

湖北长江招银动力投资合伙企业 (有限合伙) ("长江招银动力")

	2019 HK$	2018 HK$
Current assets	11,468,079	1,218,952
Non-current assets	7,409,001,481	5,332,844,468
Revenue	2,192,741,402	2,366,100,453
Net profit	2,192,366,909	2,282,451,455
Other comprehensive expense	(108,346,993)	(231,429,156)
Total comprehensive income	2,084,019,916	2,051,022,299

15. INTERESTS IN ASSOCIATES - continued

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2019 HK$	2018 HK$
Net assets of 长江招银动力	7,420,469,560	5,334,063,420
Proportion of the Group's ownership interest in 长江招银动力	3.43%	3.47%
The Group's share of net assets of 长江招银动力	254,803,097	185,092,000
The Group's share of profit	75,829,743	79,240,355
The Group's share of total comprehensive income	72,109,338	71,209,763

CMBI SPC-CMBI Multi-tranche Bond Fund ("Multi-tranche")

	2019 HK$	2018 HK$
Current assets	873,000,767	938,162,856
Current liabilities	40,628,985	4,941,037
Revenue	54,246,421	(19,123,694)
Net profit (loss)	100,544,624	(34,843,019)
Total comprehensive income (expense)	100,544,624	(34,543,019)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2019 HK$	2018 HK$
Net assets of Multi-tranche	832,371,782	933,221,819
Proportion of the Group's ownership interest in Multi-tranche	20.33%	20.33%
The Group's share of net assets of Multi-tranche	169,221,183	189,706,225
The Group's share of profit (loss)	20,440,722	(46,999,228)
The Group's share of total comprehensive income (expense)	20,440,722	(46,999,228)

The Group held a 5.6% interest in CICFH Entertainment Opportunity SPL - CMBI Melody Fund SP and was accounted as investment in an associate. In July 2019, the Group disposed it and the consideration for the disposal was amounted to US$7.6 million. This disposal has resulted in the recognition of a loss in profit or loss, details are set out as below:

	HK$
Proceeds of disposal	59,993,764
Less: Carrying amount of the investment on the date of disposal	62,808,478
Loss on disposal of an associate	(2,814,714)

15. INTERESTS IN ASSOCIATES - continued

Aggregate information of associates that are not individually material:

	2019 HK$	2018 HK$
The Group's share of profit (loss)	95,516,326	(20,332,861)
The Group's share of other comprehensive expense	(4,902,855)	(14,916,058)
The Group's share of total comprehensive income (expense)	90,613,471	(35,248,919)

16. INTERESTS IN JOINT VENTURES

	2019 HK$	2018 HK$
Cost of investment in joint ventures	1,324,285,696	1,332,737,623
Share of post-acquisition profits and other comprehensive income and exchange difference	442,859,543	197,397,408
	1,767,145,239	1,530,135,031

Details of the joint ventures at the end of the reporting period are as follows:

Name of entity	Place of incorporation and business	Class of shares held	Proportion of ownership interest held by the Group 2019	Proportion of ownership interest held by the Group 2018	Proportion of voting rights held by the Group 2019	Proportion of voting rights held by the Group 2018	Principal activity
深圳市招银协同基金管理有限公司	PRC	Ordinary	51%	51%	51%	51%	Investment
招银前海金融资产交易有限公司	PRC	Ordinary	49%	49%	49%	49%	Investment
深圳市协同禾盛并购基金一号合伙企业(有限合伙)	PRC	Ordinary	5%	5%	5%	5%	Investment
新疆高新招银基金有限公司	PRC	Ordinary	90%	90%	40%	40%	Custodian services
中车招银 (天津)股权投资基金管理有限公司	PRC	Ordinary	49%	49%	49%	49%	Investment
长城招银资产管理(深圳)有限公司	PRC	Ordinary	49%	49%	49%	49%	Investment
深圳市招银朗曜成长股权投资基金合伙企业(有限合伙)	PRC	Ordinary	17.84%	19.75%	17.84%	19.75%	Investment

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

Summarised financial information in respect of each of the Group's material joint ventures is set out below.

16. INTERESTS IN JOINT VENTURES - continued

深圳市招银朗曜成长股权投资基金合伙企业 (有限合伙) ("招银朗曜")

	2019 HK$	2018 HK$
Current assets	261,133,916	1,931,620,467
Non-current assets	8,627,341,820	5,222,134,702
Current liabilities	(58,841)	-
Revenue	1,429,661,498	1,398,388,058
Net profit	1,307,722,376	1,308,843,555
Other comprehensive expense	(164,827,224)	(261,236,890)
Total comprehensive income	1,142,895,152	1,047,606,665

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2019 HK$	2018 HK$
Net assets of 招银朗曜	8,888,416,895	7,153,755,169
Proportion of the Group's ownership interest in 招银朗曜	17.33%	19.75%
The Group's share of net assets of 招银朗曜	1,540,658,928	1,412,866,646
The Group's share of profit	304,375,488	258,496,602
The Group's share of other comprehensive expense	(28,570,052)	(51,594,286)

长城招银资产管理 (深圳)有限公司 ("长城招银")

	2019 HK$	2018 HK$
Current assets	N/A	3,380,659,685
Non-current assets	N/A	107,673
Current liabilities	N/A	(3,592,545,768)
Revenue	N/A	315,656,937
Net loss	N/A	(281,561,063)
Other comprehensive expense	N/A	(3,264,481)
Total comprehensive expense	N/A	(284,825,544)

16. INTERESTS IN JOINT VENTURES - continued

长城招银资产管理 (深圳)有限公司 ("长城招银") - continued

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2019 HK$	2018 HK$
Net liability of 长城招银	N/A	(211,778,410)
Proportion of the Group's ownership interest in 长城招银	N/A	49%
The Group's share of net assets of 长城招银	N/A	-
The Group's share of loss	N/A	(97,088,482)
The Group's share of other comprehensive income	N/A	N/A

Note: As the underlying investment of 长城招银 was defaulted which resulted in a net liabilities position, the Group's share of net asset of 长城招银 became zero during the year ended 31 December 2018. The Group's share of loss from continuing operations was limited to the paid capital, unpaid committed capital and accumulated share of profit from 长城招银 of approximately HK$97 million.

招银前海金融资产交易中心有限公司 ("前海金融")

	2019 HK$	2018 HK$
Current assets	271,494	261,264,493
Non-current assets	264,312,359	6,824,992
Current liabilities	(142,101,880)	(135,183,655)
Revenue	46,170,496	248,132,784
Net (loss) profit	(1,479,393)	63,637,925
Other comprehensive expense	(2,504,622)	(5,616,457)
Total comprehensive (expense) income	(3,984,015)	58,021,468

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2019 HK$	2018 HK$
Net asset of 前海金融	122,481,973	132,905,830
Proportion of the Group's ownership interest in 前海金融	49%	49%
The Group's share of net assets of 前海金融	60,016,167	65,123,857
The Group's share of (loss) profit	(536,179)	30,716,854
The Group's share of other comprehensive expense	(1,227,265)	(2,752,064)

16. INTERESTS IN JOINT VENTURES - continued

招银前海金融资产交易中心有限公司 ("前海金融") - continued

Aggregate information of joint ventures that are not individually material:

	2019 HK$	2018 HK$
The Group's share of income (expense)	2,743,587	(1,657,879)
The Group's share of other comprehensive income (expense)	4,805,362	(7,340,756)
The Group's share of total comprehensive income (expense)	7,548,949	(8,998,635)

17. INTANGIBLE ASSETS

	Website HK$	Software HK$	Trading rights HK$	Total HK$
COST				
At 1 January 2018	1,133,519	-	2,479,560	3,613,079
Additions	-	3,227,399	-	3,227,399
Exchange adjustments	-	11,186	-	11,186
At 31 December 2018	1,133,519	3,238,585	2,479,560	6,851,664
Additions	-	1,146,018	2,000,000	3,146,018
Exchange adjustments	-	162,381	-	162,381
At 31 December 2019	1,133,519	4,546,984	4,479,560	10,160,063
AMORTISATION				
At 1 January 2018	630,209	-	-	630,209
Provided for the year	67,852	382,383	-	450,235
Disposal of subsidiaries	-	(13,542)	-	(13,542)
At 31 December 2018	698,061	368,841	-	1,066,902
Provided for the year	59,043	1,171,304	-	1,230,347
Exchange adjustments	-	(10,597)	-	(10,597)
At 31 December 2019	757,104	1,529,548	-	2,286,652
CARRYING VALUES				
At 31 December 2019	376,415	3,017,436	4,479,560	7,873,411
At 31 December 2018	435,458	2,869,744	2,479,560	5,784,762

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$	2018 HK$
Statutory deposits and deposit with stock exchange and clearing houses	34,213,105	29,592,286
Prepayments	23,588,392	14,137,147
Deposits	46,013,577	57,115,898
Other receivables	117,738,705	54,475,768
	221,553,779	155,321,099
Analysed for reporting purposes as:		
Current	167,582,535	98,448,925
Non-current	53,971,244	56,872,174
	221,553,779	155,321,099

19. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 HK$	2018 HK$
Deferred tax assets	52,944,013	39,551,207
Deferred tax liabilities	(12,377,309)	(6,640,489)
	40,566,704	32,910,718

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$	Revaluation of investments HK$	Impairment allowances HK$	Staff cost HK$	Tax loss HK$	Others HK$	Total HK$
At 1 January 2018	(2,535,845)	(21,835,414)	23,552,975	14,107,838	23,083,804	(17,564,900)	18,808,458
Credit (charged) to profit or loss	745,663	6,283,035	5,608,933	6,437,856	(22,872,901)	17,955,986	14,158,572
Exchange difference	-	865,801	(155,252)	(926,943)	(84,646)	244,728	(56,312)
Balance at 31 December 2018	(1,790,182)	(14,686,578)	29,006,656	19,618,751	126,257	635,814	32,910,718
Balance at 1 January 2019	(1,790,182)	(14,686,578)	29,006,656	19,618,751	126,257	635,814	32,910,718
(Charged) credit to profit or loss	(557,581)	29,056,897	18,011,174	19,592,147	-	(57,845,909)	8,256,728
Exchange difference	-	(121,045)	(638,599)	(688,204)	(19,635)	866,741	(600,742)
Balance at 31 December 2019	(2,347,763)	14,249,274	46,379,231	38,522,694	106,622	(56,343,354)	40,566,704

At the end of the reporting period, the Group has unused tax losses of HK$475.8 million (31 December 2018: HK$386.7 million) available for offset against future profits. Nil deferred tax asset has been recognised in respect of such losses in both years due to the unpredictability of future profit streams. Included in recognised tax losses are of HK$Nil (2018: HK$0.1 million) that will expire in 2022. Other losses may be carried forward indefinitely.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$	2018 HK$
Financial assets mandatorily measured at FVTPL:		
- Listed investment funds	7,391,145	-
- Unlisted investment funds	76,137,812	135,071,301
- Listed debt instruments	3,897,230,832	1,838,664,424
- Unlisted debt instruments	55,892,739	208,795,446
- Listed equity securities	721,768,732	189,224,927
- Unlisted equity securities	1,553,095,096	1,377,990,258
- Asset management scheme	187,001,550	231,993,080
- Wealth management products	1,158,155,452	1,165,739,820
- Structured loans	389,777,485	460,047,564
	8,046,450,843	5,607,526,820
Analysed for reporting purpose as:		
Current	6,026,910,824	3,557,463,837
Non-current	2,019,540,019	2,050,062,983
	8,046,450,843	5,607,526,820
Derivative financial assets:		
Forward	3,030,655	-

21. LOANS AND ADVANCES TO CUSTOMERS

	2019 HK$	2018 HK$
Fixed-rate loans receivable	2,163,347,398	1,221,794,835
Floating-rate loans receivable	2,444,267,841	2,171,122,881
	4,607,615,239	3,392,917,716
Analysed for reporting purpose as:		
Current	2,021,356,134	1,455,679,208
Non-current	2,586,259,105	1,937,238,508
	4,607,615,239	3,392,917,716

There was no overdue loans and advances as at 31 December 2019 and 2018. Included in the carrying amount of loans and advances as at 31 December 2019 is accumulated impairment losses of HK$262,070,256 (2018: HK$121,664,626). Details of impairment assessment for the year ended 31 December 2019 and 2018 are set out in note 36.

At 31 December 2019, loans and advances are secured by cash of HK$816,007,154 (2018: HK$376,368,613) and other collaterals, includes equity securities, debt securities and properties etc. approximately of HK$13,218,211,366 (2018: HK$15,782,000,000).

The fixed-rate loans receivable carry interest ranging from 4.75% to 12% (2018: 5% to 13%) per annum. The floating-rate loans receivable carry interest ranging from London Interbank Offered Rate ("LIBOR") plus 3.5% to LIBOR + 6.75% (2018: LIBOR + 2.4% to LIBOR + 7.5%) per annum.

22. ACCOUNTS RECEIVABLE

	2019 HK$	2018 HK$
Accounts receivable from:		
- Cash clients	261,844,138	275,571,558
- Margin clients	2,227,222,142	371,489,397
- Brokers and clearing house	416,119,174	160,435,385
- Others (note)	693,962,396	287,419,873
	3,599,147,850	1,094,916,213
Less: Allowance for credit losses	(34,846,882)	(23,192,385)
	3,564,300,968	1,071,723,828

Note: The amount represents the fees receivable from corporate finance and asset management for both year ended 31 December 2019 and 31 December 2018.

Accounts receivable from cash clients, brokers and clearing house arising from the business of dealing in securities are repayable on demand subsequent to settlement date. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date and accounts receivable arising from the business of dealing in futures and securities trading in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are one day after trade date. Normal settlement terms of accounts receivable from corporate finance and asset management service are determined in accordance with the contract terms, usually within one month after the services are provided.

Margin loans due from margin clients are repayable on demand and bear variable interest at commercial rate. Margin clients are required to pledge securities as collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of securities accepted by the Group. At 31 December 2019, the total market values of securities pledged as collateral in respect of loans to margin clients were approximately HK$6,260,967,915 (2018: HK$1,039,500,988).

Included in accounts receivables to clients arising from the business of dealing in securities are amount due from the ultimate holding company of HK$5,513,929 (2018: HK$16,905,507) and amount due from an affiliated entity of HK$17,502,939 (2018: HK$12,350,001).

The Group has provided fully for all receivables over one year because historical experience is such that receivables that are past due beyond one year are generally not recoverable.

Movements in the allowance for doubtful debts are as follows:

	2019 HK$	2018 HK$
At 1 January	23,192,385	229,284,026
HKFRS 9 adjustment	-	3,914,688
Recognition of impairment losses on receivables	14,763,076	42,419,292
Reversal of impairment losses for amounts recovered during the year	(3,108,579)	(252,425,621)
At 31 December	34,846,882	23,192,385

Details of impairment assessment of amounts receivables for the year ended 31 December 2019 are set out in note 36.

23. BANK BALANCES - TRUST ACCOUNTS

The Group maintains segregated clients' accounts with licensed banks to hold clients' monies arising from normal business transactions in connection with the Group's brokerage activities. The cash held on behalf of clients is restricted and governed by the Securities and Futures (Client Money) Rules (Chapter 571) of the laws of Hong Kong under the Securities and Futures Ordinance. The Group has recognised the corresponding clients' account payable to respective clients.

Included in bank balances - trust accounts are amount deposit into ultimate holding company of HK$755,064,928 (2018: HK$1,970,721,359) and amount due to an affiliated entity of HK$126,507,536 (2018: HK$393,941,103).

24. BANK AND CASH

	2019 HK$	2018 HK$
Cash at bank and other financial institutions		
- Ultimate holding company	1,920,200,802	2,300,987,341
- Other commercial banks	832,316,424	1,078,758,896
- Affiliated entity	29,343,779	27,743,406
- Other financial institutions	79,675,535	118,818,100
	2,861,536,540	3,526,307,743

Bank balances carry interest at market rates which range from 0.01% to 3.3% (31 December 2018: 0.01% to 4.25%) per annum.

Included in the bank balances are bank deposits of HK$512,026,120 (2018: Nil) with original maturity date for more than 3 months.

25. ACCOUNTS PAYABLE

	2019 HK$	2018 HK$
Accounts payable to:		
- Clients	4,951,887,084	4,101,033,547
- Brokers and clearing house	1,407,237,824	532,361,527
- Others	3,691,325	5,117,775
	6,362,816,233	4,638,512,849

The accounts payable arising from the business of dealing in securities and futures are required to be settled on the settlement date determined under the relevant market practices.

Included in accounts payable to clients arising from the business of dealing in securities are amount due to the ultimate holding company of HK$11,086,166 (2018: Nil) and amount due to an affiliated entity of HK$27,116,113 (2018: HK$23,192,401).

26. ACCRUALS AND OTHER PAYABLES AND DEFERRED INCOME

The current portion of accruals and other payables and deferred income are unsecured and settled within one year.

The non-current portion of accruals and other payables and deferred income are unsecured and settled over one year.

Included in the balance of deferred income mainly are the asset management fee received in advance.

27. BONDS SOLD UNDER REPURCHASE AGREEMENT

	2019 HK$	2018 HK$
Analysed by collateral type:		
Debt securities classified as financial assets at fair value through profit or loss	1,563,990,083	-

As at 31 December 2019, debt securities which are classified as financial asset at fair value through profit or loss with carrying amount of HK$1,879,322,324 (2018: Nil) were sold under repurchase agreements with other financial institution. All repurchase agreements are due within 12 months from the end of the reporting period. Details of arrangement are set out in note 32.

28. BANK AND OTHER BORROWINGS

	2019 HK$	2018 HK$
Unsecured and repayable within one year	1,537,907,791	989,762,293

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are The Euro Interbank Offer Rate ("EURIBOR") + 1.2%, Hong Kong Interbank Offer Rate ("HIBOR") + 1% and London Interbank Offer Rate ("LIBOR") + 0.8% to 0.9% (2018: HIBOR + 1.3% to EURIBOR + 1.7%).

Included in bank and other borrowings (unsecured) is amount borrowed from the ultimate holding company of HK$Nil (2018: HK$368,991,302), interest is charging at EURIBOR + 1.7% in the year ended 31 December 2018.

Included in bank and other borrowings (unsecured) is amount borrowed from an affiliated company of HK$Nil (2018: HK$600,000,000, interest is charging at HIBOR + 1.3%).

29. LOANS FROM/AMOUNT DUE TO THE IMMEDIATE HOLDING COMPANY

Loans from immediate holding company are unsecured and expected to be settled within one year. The balance is interest bearing ranging from 2.62% to 4.1% (2018: 2.44% to 4.41%) per annum.

The amount due to the immediate holding company is unsecured, interest free and repayable within one year.

30. SHARE CAPITAL

	Number of shares	Share capital HK$
Issued and fully paid:		
As at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	2,151,044,478	3,265,793,396

31. RESERVES

Movement in the Company's reserves is set out below:

	Retained profits HK$
At 1 January 2018	163,626,615
Total comprehensive income	155,489,638
Dividend paid during the year	(161,423,800)
At 1 January 2019	157,692,453
Total comprehensive income	298,550,751
Dividend paid during the year	(116,280,000)
At 31 December 2019	339,963,204

32. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions into normal course of business by which it transfers recognised financial assets to third parties. In some cases where these transfers may give rise to full derecognition of the financial assets concerned. In other cases where the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

The Group transfers financial assets that are not derecognised in their entirety primarily through the sale of debt securities with repurchase agreements.

Sales and repurchase agreements are transactions in which the Group sells a debt security and simultaneously agrees to repurchase it at the agreed price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those debt securities sold. These debt securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these debt securities. The proceeds received on the transfer are recognised as liabilities under "Bonds sold under repurchase agreements".

32. TRANSFERRED FINANCIAL ASSETS - continued

The following table set out the carrying amounts of all financial assets transferred that are not derecognised in their entirety and associated liabilities:

	2019 HK$	2018 HK$
Carrying amount of transferred assets (financial asset at fair value through profit or loss)	1,879,322,324	-
Carrying amount of associated liabilities (bonds sold under repurchases agreement)	(1,563,990,083)	-
Net position	315,332,241	-

33. COMMITMENTS

(a) Capital commitments

	2019 HK$	2018 HK$
Capital expenditure in respect of the acquisition of equipment contracted for but not provided in the consolidated financial statements	1,108,121	938,470

(b) Loan commitments

	2019 HK$	2018 HK$
Loan commitments contracted for but not provided in the consolidated financial statements	614,203,649	156,965,598

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings HK$	Loans from immediate holding company HK$	Lease liabilities HK$	Interest payable HK$	Notes payable HK$	Debt securities Issued HK$	Total HK$
At 1 January 2019	989,762,293	1,035,808,690	251,288,001	38,575,803	-	2,349,210,000	4,664,644,787
Financing Cash flows:							
- Borrowings raised	5,919,839,264	2,675,278,967	-	-	472,491,051	-	9,067,609,282
- Repayments of borrowings	(5,366,418,135)	(2,022,457,015)	(57,150,211)	-	(10,000,000)	-	(7,456,025,361)
- interest paid	-	-	(9,675,788)	(184,011,034)	-	-	(193,686,822)
New leases entered	-	-	8,461,413	-	-	-	8,461,413
Interest expense	-	-	9,675,788	187,572,249	-	-	197,248,037
Exchange adjustments	(5,275,631)	(6,945,656)	-	(116,178)	-	(13,050,000)	(25,387,465)
At 31 December 2019	1,537,907,791	1,681,684,986	202,599,203	42,020,840	462,491,051	2,336,160,000	6,262,863,871

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES - continued

	Bank borrowings HK$	Loans from immediate holding company HK$	Interest payable HK$	Other payables HK$	Debt securities issued HK$	Total HK$
At 1 January 2018	541,123,388	785,477,850	13,141,890	2,716,240,731	-	4,055,983,859
Financing Cash flows:						
- Borrowings raised	4,639,343,360	1,140,182,537	-	-	2,354,255,000	8,133,780,897
- Repayments of borrowings	(4,174,943,369)	(859,510,200)	-	-	-	(5,034,453,569)
- interest paid	-	-	(81,306,058)	-	-	(81,306,058)
Interest expense	-	-	108,008,993	-	-	108,008,993
Reclassification	-	-	-	(2,716,240,731)	-	(2,716,240,731)
Exchange adjustments	(15,761,086)	(30,341,497)	(1,269,022)	-	(5,045,000)	(52,416,605)
At 31 December 2018	989,762,293	1,035,808,690	38,575,803	-	2,349,210,000	4,413,356,786

35. CAPITAL RISK MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. As the Group is part of another larger group, the Group's sources of additional capital and policies for distribution of excess capital may also be affected by the larger group's capital management objectives.

The Group defines "capital" as including all components of equity attributable to the owners of the Company. The amount of capital employed at 31 December 2019 was HK$6,143,421,530 (2018: HK$5,420,651,600).

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries engaged in securities, futures and options dealings and broking, corporate finance and advisory, and investment management which are regulated entities under the Securities and Futures Commission ("SFC").

During the year, the subsidiaries of the Group which are subject to minimum capital requirements imposed by the SFC, complied with all the minimum capital requirements.

36. FINANCIAL INSTRUMENT

Categories of financial instruments

	2019 HK$	2018 HK$
Financial assets		
Financial assets at fair value through profit or loss	8,046,450,843	5,607,526,820
Derivative financial assets	3,030,655	-
Financial assets measured at amortised cost	15,530,612,792	12,334,876,700
Financial liabilities		
Amortised cost	15,736,902,299	10,249,844,259
Financial liabilities at fair value through profit or loss	3,988,045,838	4,082,518,876

36. FINANCIAL INSTRUMENT - continued

Financial risk management objectives and policies

The Group's major financial instruments include debt and equity securities, fund investments, loans and advances to customers, accounts receivable, deposits and other receivables, bank balances and cash, bank balances - trust accounts, repurchase agreements, accounts and other payables, bonds sold under repurchase agreement, loans from and amount due to the immediate holding company and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's exposure to market risk include currency risk, interest rate risk and other price risk.

Currency risk

The majority of the Group's assets and liabilities are denominated in Hong Kong dollars ("HK$"), United States dollars ("US$") and Renminbi ("RMB"). The directors do not expect significant foreign exchange risk arising from the US$ denominated monetary items in view of the Hong Kong dollar pegged system to the US$.

In respect of balances denominated in RMB held by entities of which functioned currencies are not in RMB, the Group ensure that the net exposure is kept to an acceptable level by buying or selling non derivative forwards where necessary. The carrying amounts of those RMB denominated monetary assets and monetary liabilities at the end of the reporting period are HK$4,126,832,891 (2018: HK$3,730,295,599) and HK$1,512,824,910 (2018: HK$3,391,451,015), respectively.

Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 5% (2018: 5%) foreign exchange rates in Renminbi, with all other variables held constant, would increase/decrease the Group's profit for the year by approximately HK$109,134,833 (2018: HK$14,146,761).

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting year and had been applied to the Group's exposure to currency risk for the financial instruments in existence at that date and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the next reporting year.

36. FINANCIAL INSTRUMENT - continued

Financial risk management objectives and policies - continued

Market risk - continued

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans and advances to customers. The Group currently does not have fair value hedging policy. The Group is also exposed to cash flow interest rate risk mainly from balances with banks, loans and advances to customer and bank borrowings carrying interest at prevailing market rates.

Management of the Group monitors the related interest rate exposure closely to ensure the interest rate risks are maintained at an acceptable level. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the HIBOR and LIBOR arising from the Group's respective HK$ and US$ denominated financial instruments.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for interest-bearing assets and liabilities at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2018: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2018: 100 basis points) higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2019 would decrease/increase by HK$53,221,368 (2018: increase/decrease by HK$6,443,065). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances, margin loans, loans and advances to customers and variable-rate bank borrowings.

Other price risk

The Group is exposed to price risk through its investments in debt and equity securities and investment funds classified as financial assets at fair value through profit or loss (note 20).

The fair values of unlisted securities are determined using appropriate valuation technique and current market parameters. Decisions to buy or sell these investments are based on daily monitoring of the performance of individual securities compared to that of market or industry indicators as well as the Group's liquidity needs.

The sensitivity analysis below have been determined based on the exposure to price risks arising from the debt and equity securities, and fund investments at the reporting date.

If the prices of the respective investments had been 10% (2018: 10%) higher/lower, profit before tax for the year ended 31 December 2019 would increase/decrease by HK$489,153,578 (2018: increase/decrease by HK$233,257,506) as a result of the changes in fair value of financial assets at fair value through profit or loss.

36. FINANCIAL INSTRUMENT - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment

As at 31 December 2019 and 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to loans and advances to customers, accounts and other receivables, debt securities and bank balances. Management monitors credit risk on an ongoing basis.

For loans and advances to customers, prior to the lending of a loan, the Group will review the credit profile of the borrower, and possible risk control procedures for the loan, to ensure that the borrower has valid repayment ability. After lending a loan, the Group assess the credit profile of each individual, debtor by analysing many factors that influence the default probability, including counterparty's profile, collateral values, business management, market information on an ongoing basis, to ensure the credit risk of the loan is under control.

Accounts receivable mainly comprise the balances with customers for trading and margin financing activities, and funds placed with the broker firms. Accounts receivable with customers arise through share purchases that the Group undertakes per customers' requests. Customers are required to have sufficient cash and settlement funding with the group prior to placing purchase orders. The relevant funding is frozen on trade day in order to minimise the Group's exposure.

In respect of the balances with customers for margin financing activities, the Group has a credit risk management process which is governed by the Group's securities dealing policies and procedures approved by the board. These processes involve reviewing and establishing limits for each margin client, monitoring procedures on margin calls and reporting procedures.

At the end of the reporting year, the Group has a concentration of credit risk as 6% and 23% (2018: 10% and 40%) of the total accounts receivable and loans and advances to customers due from the Group's largest customer and the five largest customers respectively.

The Group reviews the level of fund placed with the broker firms as well as the related concentration risk. The group carries out aging analysis on other receivables where settlement requests are sent on long outstanding items.

36. FINANCIAL INSTRUMENT - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Majority of debt securities held by the Group are wealth management products issued by the ultimate holding company, no historical default or loss were experienced by the Group. Also, bank balances are held with the ultimate holding company and licensed banks with sound reputation. Management considers credit risk is not significant.

(a) The table below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

		External rating	12 month or lifetime ECL	2019 Gross carrying amount	2018 Gross carrying amount HK$
Financial assets at amortised costs					
Loans and advances to customers		N/A	12 month ECL	4,869,685,495	3,514,582,342
Repurchase agreements		AAA	Lifetime ECL	23,254,359	-
Accounts receivable	(Note)	N/A	Lifetime ECL	118,473,593	127,293,832
Accounts receivable		N/A	12 month ECL	3,480,674,257	967,622,381
Cash at bank		A2 to Baa2	12 month ECL	2,870,477,768	3,536,849,709
Bank balances - trust accounts		A1 to Baa2	12 month ECL	4,308,949,935	4,211,091,213
Deposits and other receivables		A1 to Baa1	12 month ECL	53,987,956	56,872,173

Note: For accounts receivable, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

36. FINANCIAL INSTRUMENT - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

(a) The table below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment: - continued

Provision matrix - debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for accounts receivable which are assessed based on provision matrix as at 31 December 2019 within lifetime ECL (not credit impaired).

Gross carrying amount	2019 Accounts receivable HK$	2018 Accounts receivable HK$
Aging:		
Current (not past due)	-	-
1 - 30 days past due	26,384,408	104,714,750
31 - 60 days past due	23,038,200	4,885,844
61 - 90 days past due	981,976	631,784
More than 90 days past due	68,069,009	17,061,454
	118,473,593	127,293,832

The estimated loss rates are estimated based on historical observed default rates over the expected lift of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2019, the Group provided HK$14,763,076 (2018: HK$205,831) impairment allowance for accounts receivable, based on the provision matrix. Impairment allowance of HK$8,896,216 was made on debtors with credit impaired debtors for both years.

36. FINANCIAL INSTRUMENT - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

(b) The following table shows the movement in lifetime ECL that has been recognised for accounts receivables under the simplified approach.

	Lifetime ECL (not credit impaired) HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
As at 1 January 2018	-	8,896,216	8,896,216
Changes due to financial instruments recognised as at 1 January:			
- Transfer to credit-impaired	-	-	-
- Impairment losses recognised	205,831	-	205,831
- Impairment losses reversed	-	-	-
- Write-offs	-	-	-
New financial assets originated	-	-	-
Exchange adjustments	-	-	-
As at 31 December 2018	205,831	8,896,216	9,102,047
As at 1 January 2019	205,831	8,896,216	9,102,047
Changes due to financial instruments recognised as at 1 January:			
- Transfer to credit-impaired	-	-	-
- Impairment losses recognised	14,763,076	-	14,763,076
- Impairment losses reversed	(205,831)	-	(205,831)
- Write-offs	-	-	-
Exchange adjustments	-	-	-
As at 31 December 2019	14,763,076	8,896,216	23,659,292

The Group writes off a debtor when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings and other relevant factors.

36. FINANCIAL INSTRUMENT - continued

Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

(c) The following table shows the reconciliation of loss allowances that has been recognised for accounts receivable not under simplified approach, loan and advances to customers, cash at banks, bank balances - trust accounts and other receivables.

	Accounts receivable not under simplified approach			Loan and advances to customers	Repurchase agreement	Cash at banks	Trust accounts	Deposits and other receivables
	Lifetime ECL 12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	12m ECL	12m ECL	12m ECL	12m ECL	12m ECL
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
As at 1 January 2018	3,914,688	-	220,387,809	85,635,561	-	5,795,597	6,323,226	1,440,212
- Impairment losses recognised	4,968,884	-	37,244,577	36,029,065	-	5,007,171	2,024,526	16,192
- Write-offs	-	-	(252,425,621)	-	-	-	-	-
Exchange adjustments	-	-	-	-	-	(260,802)	-	-
As at 31 December 2018 and 1 January 2019	8,883,572	-	5,206,765	121,664,626	-	10,541,966	8,347,752	1,456,404
- Impairment losses recognised	-	-	-	141,173,312	16,712	-	1,407,525	3,615,054
- Impairment losses reversed	(2,902,748)	-	-	-	-	(1,600,738)	-	-
Exchange adjustments	-	-	-	(767,682)	-	-	-	-
As at 31 December 2019	5,980,824	-	5,206,765	262,070,256	16,712	8,941,228	9,755,277	5,071,458

Liquidity risk

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

The following table details the remaining contractual maturities the Group's financial liabilities at the end of the reporting period of which are based on undiscounted contractual cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

Liquidity table

	Weighted average interest rate	On demand or less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year	Carrying amount
	%	HK$	HK$	HK$	HK$	HK$
31 December 2019						
Accounts payable		6,362,816,233	-	-	-	6,362,816,233
Other payables (note)		1,573,859,791	-	-	-	1,573,859,791
Loan from the immediate holding company	3.15	1,681,684,986	-	-	-	1,681,684,986
Debt securities issued	3.28	-	-	-	2,336,160,000	2,336,160,000
Other liabilities		-	-	-	15,393,161	15,393,161
Financial liabilities at FVTPL		136,765,822	254,566,329	662,573,297	2,934,140,390	3,988,045,838
Bank and other borrowings	3.03	551,156,248	265,636,262	721,115,281	-	1,537,907,791
Notes payable	2.8	64,018,086	231,535,509	166,937,456	-	462,491,051
Lease liabilities		4,003,576	8,007,152	45,556,500	145,031,975	202,599,203
Bonds sold under repurchase agreements		1,563,990,083	-	-	-	1,563,990,083
		11,938,294,825	759,745,252	1,596,182,534	5,430,725,526	19,724,948,137

36. FINANCIAL INSTRUMENT - continued

Financial risk management objectives and policies - continued

Liquidity risk - continued

Liquidity table - continued

	Weighted average interest rate %	On demand or less than 1 month HK$	More than 1 month but less than 3 months HK$	More than 3 months but less than 1 year HK$	More than 1 year HK$	Carrying amount HK$
31 December 2018						
Accounts payable		4,638,512,849	-	-	-	4,638,512,849
Other payables (note)		880,306,907	-	120,205,731	44,708,029	1,045,220,667
Loan from the immediate holding company	3.15	1,035,808,690	-	-	-	1,035,808,690
Amount due from the immediate holding company		145,355,899	-	-	-	145,355,899
Debt securities issued		-	-	-	2,349,210,000	2,349,210,000
Other liabilities		-	-	-	44,708,029	44,708,029
Financial liabilities at FVTPL		1,260,639,332			2,821,879,544	4,082,518,876
Bank and other borrowings		989,762,293	-	-	-	989,762,293
		8,950,385,970	-	120,205,731	5,260,505,602	14,331,097,303

Note: Included in the 'More than 1 year' time band in the maturity analysis is the assets distributable to the limited partner of a fund. The directors believe that such assets distributable will be retained for the investment period as set out in the partnership agreement.

Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Fair value hierarchy as at 31 December 2019

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets				
Derivative financial assets	3,030,655	-	-	3,030,655
Financial assets at fair value through profit or loss	4,490,919,629	1,844,299,085	1,711,232,129	8,046,450,843

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	1,053,905,448	2,934,140,390	3,988,045,838

36. FINANCIAL INSTRUMENT - continued

Fair value measurements of financial instruments - continued

Fair value of the Group's financial assets that are measured at fair value on a recurring basis - continued

Fair value hierarchy as at 31 December 2018

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets				
Financial assets at fair value through profit or loss	1,873,427,322	2,142,644,870	1,591,454,628	5,607,526,820

	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	1,260,639,332	2,821,879,544	4,082,518,876

Valuation technique	Significant unobservable input(s)
Listed company comparison approach (Note 1)	Discount rate on liquidity
Adjusted from latest available transaction price (Note 2)	Adjusted recent transaction price
Reported NAV (Note 3)	Adjusted net asset values
Income approach (Note 4)	Discount rate of expected cash flows
Others (Note 5)	Possibility of different scenarios occurrence

Note 1: Under the listed company comparison approach, the significant unobservable inputs used in the fair value measurement are the discount rate on liquidity of the equity instruments or the underlying investments of the investment funds, as appropriate. The fair value measurement is positively correlated to the liquidity of the underlying investments. An increase in the liquidity discount rate used in isolation would result in a decrease in the fair value, and vice versa.

Note 2: Under this approach, the fair value is determined with reference to the recent transaction price of the underlying investment, and adjusted for company specific factors as well as market movement.

Note 3: The Group has determined that the reported net asset values represent fair value of the unlisted investment funds, unless the Group consider, the net asset values calculated cannot reasonably reflect the true fair value, thus adjustment has to be made.

36. FINANCIAL INSTRUMENT - continued

Fair value measurements of financial instruments - continued

Note 4: Under the income approach, the significant unobservable inputs used in the fair value measurement are the discount rate on expected cash flow. They are derived by the implied discount rate on investment date with adjustment to the tenure as well as market movement. An increase in the discount rate used in isolation would result in an decrease in the fair value, and vice versa.

Note 5: Other techniques are based on a combination of listed company comparison approach and referenced to the agreed redemption price. Possibility of occurring in different exit scenarios are assigned, and any change of the possibility would effect on the fair value of the asset.

Reconciliation of Level 3 fair value measurements

31 December 2019

	Financial assets at fair value through profit or loss HK$	Financial liabilities at fair value through profit or loss HK$	Total HK$
Opening balance	1,591,454,628	(2,821,879,544)	(1,230,424,916)
Total losses:			
- in profit or loss	(102,141,515)	(162,811,721)	(264,953,236)
Purchases	364,577,630	-	364,577,630
Disposals	(234,206,371)	-	(234,206,371)
Transfer in Level 3	223,475,077	-	223,475,077
Transfer out of Level 3	(115,697,486)	-	(115,697,486)
Exchange difference	(16,229,834)	50,550,875	34,321,041
Closing balance	1,711,232,129	(2,934,140,390)	(1,222,908,261)

31 December 2018

	Available-for-sale unlisted securities HK$	Financial assets at fair value through profit or loss HK$	Financial liabilities at fair value through profit or loss HK$	Total HK$
Opening balance	1,174,543,720	3,767,811	-	1,178,311,531
Transfer (out) in	(1,174,543,720)	1,361,308,655	(2,716,265,264)	(2,529,500,329)
Total losses:				
- in profit or loss	-	(4,261,372)	(105,614,280)	(109,875,652)
Purchases	-	624,433,498	-	624,433,498
Disposals	-	(558,250,790)	-	(558,250,790)
Transfer in Level 3	-	417,044,094	-	417,044,094
Transfer out of Level 3	-	(190,789,774)	-	(190,789,774)
Exchange difference	-	(61,797,494)	-	(61,797,494)
Closing balance	-	1,591,454,628	(2,821,879,544)	(1,230,424,916)

Fair values of financial instruments carried at other than fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2019 and 31 December 2018.

36. FINANCIAL INSTRUMENT - continued

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangement and similar agreements and similar arrangements

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

The Group entered rate Global Master Repurchase Agreements ("GMRA") for sale and repurchase agreements, with netting terms similar for to a master netting agreement. The GMRA does not meet the criteria for offsetting in the consolidated statements of financial position. However, it creates a right of set-off of different contracts that is enforceable only following an event of default, insolvency and bankruptcy of the Group or the counterparty. In such circumstances, all outstanding contracts under the agreements are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all contracts.

Additional, the Group currently has a legally enforceable right to set off the accounts receivable from clearing houses, brokers and margin clients and the accounts payable to these counterparties that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

As at 31 December 2019

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
	HK$	HK$	HK$	HK$	HK$	HK$
Description						
Accounts receivable from client	4,417,571,844	(1,570,627,975)	2,846,943,869	(438,120,151)	(1,880,335,596)	528,488,122
Amounts due from brokers and clearing house	2,356,968,329	(1,940,849,142)	416,119,187	(162,271,949)	-	253,847,238
Statutory deposits and deposit with stock exchange and clearing houses	34,213,105	-	34,213,105	-	-	34,213,105
Financial assets at the fair value through profit or loss	1,879,322,324	-	1,879,322,324	(1,563,990,083)	-	315,332,241
Repurchase agreements	23,254,359	-	23,254,359	(8,461,413)	-	14,792,946

36. FINANCIAL INSTRUMENT - continued

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangement and similar agreements and similar arrangements - continued

As at 31 December 2019 - continued

Description	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK$	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged HK$	Net amount HK$
Accounts payable to client	6,522,515,059	(1,570,627,975)	4,951,887,084	(438,120,151)	-	4,513,766,933
Amounts due to brokers and clearing house	3,348,086,967	(1,940,849,142)	1,407,237,825	(162,271,949)	-	1,244,965,876
Banks sold under repurchase agreement	1,563,990,083	-	1,563,990,083	(1,569,990,083)	-	-
Short selling securities	1,018,381,283	-	1,018,381,283	(8,461,413)	-	1,009,919,870

As at 31 December 2018

Description	Gross amount of recognised financial assets HK$	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position HK$	Net amounts of financial assets presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position: Cash collateral received HK$	Net amount HK$
Accounts receivable from client	942,217,981	(302,810,300)	639,407,681	(188,169,018)	(208,005,760)	243,232,903
Amounts due from brokers and clearing house	550,946,483	(390,511,098)	160,435,385	(67,358,670)	-	93,076,715
Statutory deposits and deposit with stock exchange and clearing houses	29,592,286	-	29,592,286	-	-	29,592,286

Description	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK$	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged HK$	Net amount HK$
Accounts payable to client	4,403,843,847	(302,810,300)	4,101,033,547	(188,169,018)	-	3,912,864,529
Amounts due to brokers and clearing house	922,872,625	(390,511,098)	532,361,527	(67,358,670)	-	465,002,857

37. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the group entered into transactions with the following related parties:

(a) Transactions with the ultimate holding company

(i) During the year, the Group paid bank charges of HK$11,679,516 (2018: HK$9,247,302) to the ultimate holding company in respect of bank loans and overdraft balances. The Group also incurred finance costs of HK$4,589,649 (2018: HK$14,728,501) to the ultimate holding company during the year.

(ii) As of 31 December 2019, the Group maintained bank deposits of HK$2,909,935,954 (2018: HK$4,271,708,700) with the ultimate holding company. The interest income earned for the year amounted to HK$57,380,742 (2018: HK$34,403,334).

(iii) During the year, the Group earned brokerage fee of HK$4,529,032 (2018: HK$8,262,840) from the ultimate holding company.

(iv) During the year, the Group entered into an agreement with the ultimate holding company that all the related economic losses arising from a loan receivable amounted to HK$155,744,000 (2018: HK$368,990,635) are to be guaranteed by the ultimate holding company.

(v) During the year, the Group earned management fee of HK$355,852,586 (2018: HK$333,713,002) and HK$114,781,659 (2018: HK$81,427,611) from its associates and joint ventures respectively.

(b) Transactions with an affiliated entity

(i) As of 31 December 2019, the Group maintained bank deposits of HK$155,431,135 (2018: HK$421,684,509) with an affiliated entity. The interest income earned for the year amounted to HK$906,882 (2018: HK$474,464).

(ii) During the year, the Group earned brokerage fee of HK$33,205,158 (2018: HK$46,664,930) from an affiliated entity.

(c) Key management personnel remuneration

For the year ended 31 December 2019 and 2018, certain key management personnel including directors of the Company received remuneration from the ultimate holding group for service rendered to the Group but no apportionment has been made to the Group. Details are set out in note 11 to the consolidated financial statements for directors' remuneration for the year ended 31 December 2019 and 2018.

38. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including investment funds. For the investment funds where the Group involves as manager and also as investor, the Group assesses whether the combination of funds it held together with its remuneration create exposure to variability of returns from the activities of the investment funds that is of such significance that it indicates that the Group is a principal. During the year ended 31 December 2019, profit contributed by the consolidated investment funds (excluding third party interest as stated below,) were HK$268,699,153 (2018: Profit HK$347,433,685). As at 31 December 2019, the total assets and total liabilities (excluding third party interest as stated below) of the consolidated investment funds, were HK$5,766,755,377 and HK$38,175,946 respectively (2018: HK$4,231,625,632 and HK$37,221,542 respectively).

Third-party interest in consolidated structured entities consist of third-party unit holders/shareholders' interests in consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit holders/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent interests of third-party unit holders in consolidated investment funds that are subject to the actions of third-party unit holders.

For the year ended 31 December 2019, interests held by third-party unit holders/shareholders of HK$170,909,966 (2018: HK$249,417,049) in consolidated structured entities are included as other gains within other gains or losses in the consolidated statement of profit or loss and other comprehensive income and the interest held by third-party unit holders/shareholders amounted to HK$2,934,140,390 (2018: HK$2,821,879,544) as at 31 December 2019 are included in financial liabilities at fair value through profit or loss in the consolidated statement of financial position.

39. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

(a) Interest in the structured entities sponsored by the Group

The Group serves as the investment manager of several investment funds, which are considered to be structured entities within the definition of HKFRS 12 Disclosure of interests in other entities. The directors of the Company are of the opinion that the investment funds are regarded as unconsolidated structured entities as the Group is not able to exercise control over their operation and has no significant variable financial interest. Hence, they are not consolidated in the consolidated financial statements.

The Group receives an interest in these unconsolidated structured entities through the receipt of management and performance fees. The unconsolidated structured entities invest in range of asset classes. The carrying values of the Group's interests in these unconsolidated structured entities as recognised in the consolidated statement of financial position as at 31 December 2019 is HK$2,371,390,753 (2018: HK$2,146,264,226) and the management fee and performance fee recognised in the Group's consolidated statement of profit or loss and other comprehensive for the year ended 31 December 2019 is HK$497,137,031 (2018: HK$438,466,652). The net asset value of total assets under management for these funds amounts to approximately HK$63.52 billion as at 31 December 2019 (2018: HK$62.98 billion).

39. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES - continued

(a) Interest in the structured entities sponsored by the Group - continued

The unconsolidated structured entities have various investment objectives and policies and are subject to the terms and conditions of their respective offering documentation. However, all unconsolidated structured entities invest their capital, from third-party investors, in a portfolio of assets according to respective investment restrictions set out in the offering documentation in order to provide a return to those investors from capital appreciation of those assets, income from those assets, or both. Accordingly, the portfolio of assets held by these unconsolidated structured entities are susceptible to market price risk and the performance of the investment manager.

Maximum exposure to loss

The Group's maximum exposure to loss associated with its interest in these unconsolidated structured entities is the carrying amount as above.

Other information

There are no liquidity arrangements, guarantees or other commitments that may affect the fair value or risk of the Group's interest in the unconsolidated structured entities.

(b) Interest in the structured entities sponsored by other parties

The Group holds interests in some structured entities sponsored by other parties through investments in the notes and units issued by these structured entities. Such structured entities included wealth management products, asset management schemes, trust beneficiary rights and investments in funds.

The following table sets out an analysis of the carrying amounts of interest held by the Group as at 31 December 2019 and 31 December 2018 in the structured entities sponsored by other parties and an analysis of the line items in the consolidated statement of financial position as at 31 December 2019 and 31 December 2018 in which assets are recognised relating to the Group's interests in structured entities sponsored by other parties:

	Carrying amount Financial assets at fair value through profit or loss	
	2019 HK$	2018 HK$
Wealth management products	1,158,155,452	1,165,739,820
Asset management schemes	249,906,217	231,993,080
Investment in funds	151,937,261	135,071,301
Total	1,559,998,930	1,532,804,201

The Group's maximum exposure to loss associated with its interest in these unconsolidated structured entities is the carrying amount as above.

40. DEBT SECURITIES ISSUED

	2019 HK$	2018 HK$
US$300 million medium term note in July 2021	2,336,160,000	2,349,210,000

The debt securities are issued by a wholly owned subsidiary, Legend Future Limited, guaranteed by the Company. The details are as follows:

2019

Debt type	Term to maturity	Date of issuance	Annual interest rate	Nominal value ('000)	Beginning balance (HK$' million)	Issue during the year (HK$' million)	Discount or premium amortisation (HK$' million)	Repayment for the year (HK$' million)	Exchange rate fluctuation (HK$' million)	Ending balance (HK$' million)
Medium term note	36 months	US$250M on 16 July 2019 US$50M on 27 July 2019	3M Libor + 1.28	US$300	2,349	-	-	-	(13)	2,336

2018

Debt type	Term to maturity	Date of issuance	Annual interest rate	Nominal value ('000)	Beginning balance (HK$' million)	Issue during the year (HK$' million)	Discount or premium amortisation (HK$' million)	Repayment for the year (HK$' million)	Exchange rate fluctuation (HK$' million)	Ending balance (HK$' million)
Medium term note	36 months	US$250M on 16 July 2019 US$50M on 27 July 2019	3M Libor + 1.28	US$300	-	2,354	-	-	(5)	2,349

The National Development and Reform Commission approved the ultimate holding company of the Company issuance foreign debt on 9 February 2018 (Fa Gai Wai Zi [2018] No.307 entitled "Approval of 2018 Pilot Enterprise of Foreign Debt Scale Management by the National Development and Reform Commission"). The Company utilised the foreign debt scale of its ultimate holding company and issued US$250 million floating rate medium-term notes on 16 July 2018 and additional issued US$50 million on 27 July 2018, totally US$300million in Hong Kong.

41. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$	2018 HK$
Interest rate swaps	34,566,329	15,937,948
Future	-	2,384,076
Forward	957,836	-
Short selling securities	1,018,381,283	1,242,317,308
Minority interest of consolidated funds	2,934,140,390	2,821,879,544
	3,988,045,838	4,082,518,876
Analysed for reporting purpose as:		
Current	1,053,905,448	1,260,639,332
Non-current	2,934,140,390	2,821,879,544
	3,988,045,838	4,082,518,876

41. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - continued

Major terms of the interest rate swaps are as follows:

Notional amount	Maturity	Swaps
31 December 2019 HK$1,946,800,000	16 July 2021	34,566,329
31 December 2018 HK$1,957,675,000	16 July 2021	15,937,948

Major terms of the future are as follows:

Notional amount	Maturity	Future
31 December 2018 HK$90,053,000	31 March 2019	2,384,076

Major terms of the currency forward contracts are as follows:

Notional amount	Maturity	Exchange rate
31 December 2019 HK$200,000,000	5 October 2020	HK$7.8045: US$1

42. OTHER LIABILITIES

Included in the other liabilities was RMB13.8 million (2018: RMB39.2 million) unpaid share capital of an investment in joint venture, 长城招银资产管理(深圳)有限公司.

43. LEASE LIABILITIES

	31.12.2019 HK$
Lease liabilities payable:	
Within one year	48,042,911
Within a period of more than one year but not more than two years	113,122,776
Within a period of more than two years but not more than five years	41,433,516
	202,599,203
Less: Amount due for settlement within 12 months shown under current liabilities	57,567,228
Amount due for settlement after 12 months shown under non-current liabilities	145,031,975

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	RMB HK$
As at 31 December 2019	16,248,204

44. NOTES PAYABLE

On 12 April 2019, a wholly owned subsidiary of the Group entered into a US$2,000,000,000 Guaranteed Structured Note Programme (the "Notes") to issue structured notes guaranteed by CMB International Capital Corporation Limited. The funding raised from the Notes is mainly for the operational uses. As of 31 December 2019, notes amounted to US$59,050,790 were issued with the maturity date within 1 year (2018: Nil). The interest rates for the notes issued ranged from 2.4% to 3% with the maturity date within 1 year (2018: Nil).

45. REPURCHASE AGREEMENTS

	2019 HK$	2018 HK$
Gross receivables from repurchase agreements	23,254,359	-
Less: Allowance for credit losses	(16,712)	-
	23,237,647	-

As at 31 December 2019, the fair value of collateral allowed to be re-pledged for the outstanding receivables was HK$23,235,175 (2018: Nil).

ISSUER

Legend Fortune Limited

Vistra Corporate Service Centre
Wickhams Cay II, Road Town, Tortola
VG1110, British Virgin Islands

GUARANTOR

CMB International Capital Corporation Limited
(招銀國際金融有限公司)
45th Floor, Champion Tower
3 Garden Road
Central, Hong Kong

TRUSTEE AND REGISTRAR AND TRANSFER AGENT

China Construction Bank (Asia) Corporation Limited
(中國建設銀行(亞洲)股份有限公司)
28/F, CCB Tower
3 Connaught Road Central
Hong Kong

ISSUING AND PAYING AGENT AND CMU LODGING AND PAYING AGENT

China Construction Bank (Asia) Corporation Limited
(中國建設銀行(亞洲)股份有限公司)
28/F, CCB Tower
3 Connaught Road Central
Hong Kong

ARRANGER AND DEALER

CMB International Capital Limited
(招銀國際融資有限公司)
45th Floor, Champion Tower
3 Garden Road
Central, Hong Kong

LEGAL ADVISORS

To the Issuer and the Guarantor as to English law and Hong Kong law

Linklaters
10th Floor, Alexandra House
Chater Road Central
Hong Kong

To the Issuer and the Guarantor as to PRC law

DeHeng Law Offices
12th Floor, Tower B, Focus Place
No. 19 Finance Street
Beijing, People's Republic of China

To the Issuer and the Guarantor as to BVI law

Walkers (Hong Kong)
15th Floor, Alexandra House
Chater Road Central
Hong Kong

To the Arranger and the Dealers as to English law

King & Wood Mallesons
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

To the Arranger and the Dealers as to PRC law

Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road
Beijing 100025, People's Republic of China

To the Trustee as to English law

King & Wood Mallesons
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

INDEPENDENT AUDITOR OF THE GUARANTOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Admiralty
Hong Kong